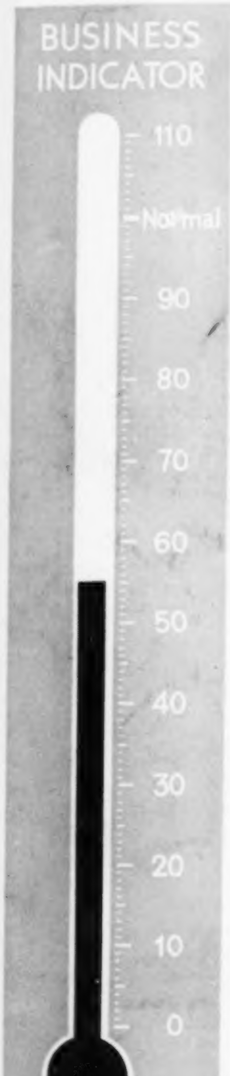
SEPT 28, 1932

THE BUSINESS WEEK



Retail trade has increased rather sharply in some centers so far in September, and continued improvement of more than seasonal proportions in carloadings indicates that movement of fall and holiday merchandise to fill depleted stocks is proceeding more rapidly than last year. . . . Slight slackening of industrial activity is suggested by the relative recession in electric power production last week, but coal output shows persistent and super-seasonal expansion. Steel activity still lags for lack of support from automobiles, railroads and construction, and public financing in the last two fields has so far afforded insufficient stimulus to stir the heavy industries from their stagnation, but improvement in residential building so far this month is promising. . . . The strength of security markets and the continued advance of commodity prices despite recent technical reactions remain the most fundamentally reassuring features of the situation. Although commercial credit demand is still slack and bank loans are still contracting, the steady strengthening of the banking position and recent expansion of bank investments are encouraging recovery symptoms. . . . The happy implications of August increases in employment were somewhat dampened by indications that these increases are being accomplished in some lines at the expense of wages, so that though more men were working they altogether earned less than if they weren't, which as Mr. Dooley would say, is spreading work so thin that you can see through it.

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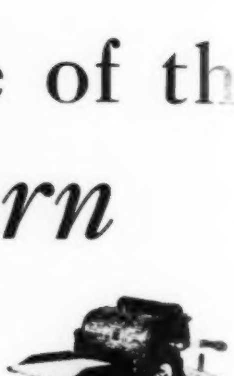

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This Business Week:

Marketing

American consumers have specific wants that call for the purchase of $40 billions in goods as soon as confidence and incomes recover. This estimate, based on a survey by Graybar Electric, checks closely with data developed in *The Business Week's* Consumer Survey. *(p. 5)*

First line makers fear the effect of cheap refrigerators on hard-won public acceptance for electric refrigeration. The "General Electric Jr."' is the newest recruit in the fight against the nameless boxes sold haphazardly through mail-order, furniture, and department stores. *(p. 8)*

Standard of Indiana has dropped the discount plan in favor of a frank and open price cut. *(p. 10)*

Sherwin-Williams moves to save its markets by warning of the evils of deterioration, guaranteeing paint prices. *(p. 11)* Rising materials costs limit competition from the little soap makers; the big companies again come into their own. *(p. 11)*

Employment

Because recovery, in the final analysis, rests on the ultimate consumer, recent employment figures which reflected a better-than-seasonal gain are commanding wide attention. *(p. 7)*

Farm

Administration efforts aim at farm relief through marketing control. The "domestic allotment plan," about which business men and politicians are talking, subsidizes production control, changes the whole basis of agricultural aid. *(p. 15)*

Recovery

Now that government money is actually available for those self-liquidating projects, private finance has decided it might like to take the risk—and make the profit. Eventually, the chief importance of government backing may be its stimulation of private financing of construction work. *(p. 16)*

Production

A new "time clock" for production machines prints a continuous time study, warns of the little delays which cut down profits, permits closer control than ever before possible. *(p. 12)*

Insurance

As the "proving ground" of automobile liability insurance, Massachusetts' experiments in the protection of the innocent victim are watched closely. Next year, for the first time, rates will be lower; new, added attraction, is practically compulsory property damage protection. *(p. 11)*

Finance

Municipal bonds show steadily increasing strength. Reasons are two: investors seek tax-exempt securities, which increases the demand; municipalities, because of economy fixations, are reluctant to take advantage of plentiful credit, which reduces the supply. *(p. 6)*

Transport

The first "Seatrain" no sooner hit the water than protests against the rates to be charged on its New York-Havana-New Orleans run were launched. Low handling costs enable New York and New England manufacturers to compete with Mid-West makers nearer the markets. *(p. 13)*

Railroad labor stalls for time, "sees no necessity" for a wage conference before Feb. 1, when the temporary 10% reduction agreement ends. By that time it hopes recovery prospects will weaken the railroads' demand for a further cut. *(p. 13)*

Motors

Studebaker expansion has been steady, logical. Pierce Arrow and Rockne increased its spread in the passenger car market; acquisition of White Motors strengthens its position in the truck field. An old company, it continues to pioneer. *(p. 9)*

"Merchandise mergers" are a sign of the times. One of the latest mutual benefit combinations is International Harvester and Willys Overland. Willys will make a light truck for farm use; International Harvester will sell it through its many dealers. *(p. 9)*

Many old cars on the road need repairs if they're going to stay there; many repair shops and dealers need business. The National Association of Finance Companies believes an easy-payment plan would bring them together. *(p. 10)*

Foreign

Russia needs the oil it produces, but it needs foreign credits more, so Moscow is using its oil to bargain for export markets. *(p. 18)*

France, watching the success of the British war-loan conversion operation has decided to go and do likewise. First steps have been taken. *(p. 24)*

In the face of tariff and exchange barriers, international trade turns to barter, but swapping is not a really practical method of exchange on a large scale. *(p. 19)*

Cables show world business gaining, prospects improving. Britain feels better. France works on debt conversion. Germany has finally succeeded in cutting the discount rate, anticipates cheaper industrial credit. The Danube conference creates grain outlets, bettering outlook for broader markets. The Far East and Latin America are still centers of uncertainty. *(Survey, p. 25)*

Figures

Statistics of the week do not reflect the belated seasonal activity seen in improved employment, show basic industries still marking time. Commodity prices, bulwark of recovery hopes, turned irregular. The outlook, however, is not discouraging. *(p. 28)*

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending September 24, 1932

$40 Billions of Buying Await Rise in Confidence and Income

Study of consumer group provides a key to the demand stored up by 3 years of depression

THE study of the American Consumer Market recently published in *The Business Week* (*BW—Apr27 to Sep7'32*) showed the enormous volume of consumer purchases of goods and services in normal business years, ranging from $90 billions to over $105 billions in the prosperous years preceding 1931. One of the main questions of practical importance to business men today is to what extent the volume of consumer demand can be expected to return to these high levels in the near future; in other words, how large a volume of deferred or stored-up consumer demand for goods has resulted from 3 years of depression.

Since, in a rough estimate, the total of consumer expenditures during 1932 is probably running at the rate of not more than $50 or $55 billions a year, the theoretical answer is that there is a current deficit of at least $40 billions in effective consumer demand for goods and services due to the drastic decline in purchasing power and the uncertainty of the average consumer regarding his future employment and income.

Covers 73 Cities

However, the Graybar Electric Co. has made a direct attempt to answer this question by addressing to all its employees a questionnaire asking for a specific and fairly detailed statement covering items which they or their families "now need and would buy if they could be assured that business and economic conditions would improve and that improvement would be reflected in the family income." These employees, located in 73 principal commercial centers from coast to coast and covering every important state, may be taken as a typical group of salary and wage earners in wholesale trade occupations, including executives, sales and service men, typists, clerks, accountants, warehouse men, truckmen, office boys, etc., with an average income in years of normal business prosperity equalling that of the bulk of the consumers who account for most of the consumer purchases in the United States, according to the results of *The Business Week* study.

Replies received from 1,110 employees, covering approximately 80% of the total employees in the company, showed an aggregate of deferred purchase requirements amounting to slightly over $2 millions. On the conservative assumption that this group of employees is representative of approximately 18 million families falling within the same income group to which they belonged, it may be estimated that the total deferred purchase requirements for all the goods and services covered in this sample would amount to nearly $40 billions for the country as a whole.

Checks With Survey

This checks reasonably well with the rough indication from *The Business Week's* study that the decline in the current level of consumer expenditures from that of normal years probably amounts to about $40 billions. No account is taken in this estimate of expenditures for savings, taxes, health, and other services apart from consumer goods, nor on the other hand, of the fact that the current deferred demand represents the accumulated purchase requirements after 3 years of subnormal buying.

The survey by the Graybar Co. covered, as major items, purchases of new homes, home modernizing and renovating, various types of home equipment and furnishings, automobiles, clothing, and miscellaneous items such as insurance, dental and medical service, education, books, travel, club memberships, landscaping, sporting goods, etc. Based on the indications of this survey, the company estimates the total deferred demand in the United States for some of the more important items, in terms of units, as follows:

New Homes	3,096,000
Automobiles	6,606,000
Refrigerators	8,838,000
Heating Equipment	1,494,000
Washing Machines	4,986,000
Radios	3,708,000
Ironing Machines	2,900,000

Leaving out consideration of new homes, the employees of the Graybar Co. expect to spend most for automobiles, followed by refrigerators, heating equipment (presumably oil heaters), washing machines, radios, and ironing machines, when they get the money or recover confidence that they are going to get it. The indicated demand for automobiles is equivalent to more than 3 times the 1931 production, and of refrigerators 9 times the estimated 1931 production.

Furniture and Clothing

For non-electrical home equipment and clothing, the dollar value of the deferred national demand on the basis of this sample is as follows:

Furniture	$1,990,000,000
Rugs and Floor Coverings	816,000,000
Musical Instruments	451,656,000
Women's Clothing	1,494,000,000
Men's Clothing	1,104,000,000

The indicated furniture requirement is about 1½ times the average annual expenditure in prosperous years, for rugs and floor coverings about 4 years' requirements, for musical instruments more than 3 times the average annual expenditure in recent years. For clothing, it appears that the country has not run so far behind its normal purchases, for the indicated deferred clothing requirements are less than half an average year's expenditure.

Treasury Is Now Hopeful Of Reducing the Deficit

THE books of the U. S. Treasury for the first 2½ months of the current fiscal year through Sept. 16 make a slightly more encouraging showing than a year ago, although the red ink is still conspicuous. The deficit for this period, about $428 millions, was somewhat larger than the $391 millions in the hole for the corresponding period in the previous fiscal year. But this is due altogether to a

marked decrease in revenues. General expenditures have been greatly curtailed, showing a decrease of over $61 millions below the period last year. Receipts were down nearly $100 millions, mainly because of the decline in income tax payments, which will not show any influence of the new revenue law until the Ides of March next. The full weight of the new excise taxes under the new law is not yet felt by the Treasury.

It is generally expected that the deficit will tend to increase until the Mar. 15 income tax payments have come in, but Treasury officials are hopeful that it will be held below last year's.

The President is apparently determined, whether re-elected or not, to enforce drastic reductions in the estimated appropriations for the fiscal year beginning July 1 next. He has asked for a minimum saving of $500 millions. Under the authority granted him by the National Economy Act, he is proceeding to the problem of reorganizing executive branches of the government by regrouping, consolidating, and reducing bureaus and commissions. The Budget Bureau has started the task of studying such reorganizing in preparation for executive orders which the President may issue putting them into effect. These orders are to be transmitted to Congress and become effective after 60 days if it does not disapprove.

The Economy Wave Rolls Up A Big Demand for City Bonds

Investors, looking for tax-exempts, find municipalities reluctant to borrow

THE municipal bond market has shown steadily increasing strength during the past 6 months. New offerings of state and local government securities have been small, averaging from $8 millions to $10 millions weekly so far this year. The total municipal flotations to date in 1932 have been only about half a billion as compared with about a billion last year. However, strongly situated local and state governments are now able to raise money at considerably more favorable rates than in a good while. The state of Maine, for instance, recently floated a long-time loan at about 3.8% cost. Demand for municipal bonds is very keen, but dealers are having some difficulty in getting an adequate supply, and banking houses are in increasingly sharp competition for new issues, like the $5,363,000 long-term issue of Boston last week.

There thus appears the paradox of a very favorable market in which local governments can easily raise money for construction and other improvements, and an active demand from investors for such securities, yet withal a marked reluctance on the part of municipal authorities to borrow. The 2 factors in the municipal bond market situation are: First, the strong attraction offered by tax-exempt securities in a period of high income tax rates and severe reduction of dividends from taxable securities; second, and most important on the supply side of the market, is the economy wave that has seized municipal governments throughout the country.

The National City Co., security affiliate of the National City Bank, which is active in floating municipal issues, recently made a survey through its branch offices covering economy measures adopted in representative municipalities throughout the country.

The survey included 47 cities of over 100,000 population. Of these large cities, 34 show a reduction in 1932 expenditures below the preceding year and only 3 an increase. Of these cities, 19 have balanced their budgets, 32 have put into effect salary reductions and 19 have postponed improvements involving fixed capital outlay. Salary reductions range from 5% to 15%, the average cut being 10%. Reductions have been taken voluntarily in many cases where laws did not permit compulsory salary cuts, and in some cases the economy has been achieved by extra vacations without pay. As a rule, reductions in the number of municipal employees have been slight.

Most striking has been the tendency to curtail educational services in some parts of the West and South. Plans for complete closing of schools during winter months to save coal are being considered by one state. Where teachers have usually been employed under yearly contract, in some cases they are being engaged for the coming year on a month-to-month basis, so that if funds are not available the schools can easily be closed. In these and other ways eager investors are being frustrated by budget-balancing zeal.

PLAN JOB DRIVE—*Meeting to work out the details of the national share-work drive set for Oct. 3 are the 17 members of the Teagle Committee. Across the pages, left to right, standing: Weisiger, of Southern Bell Telephone; Patchin, Standard Oil of California; Dittenhofer of Hahn Stores; Jackson, Strawbridge & Clothier; Walker, of Shaw-Walker; Davis (who did much to promote the plan) of Nashua Mills; Stettinius, of General*

Unseasonal Employment Gains Show Recovery Is Taking Hold

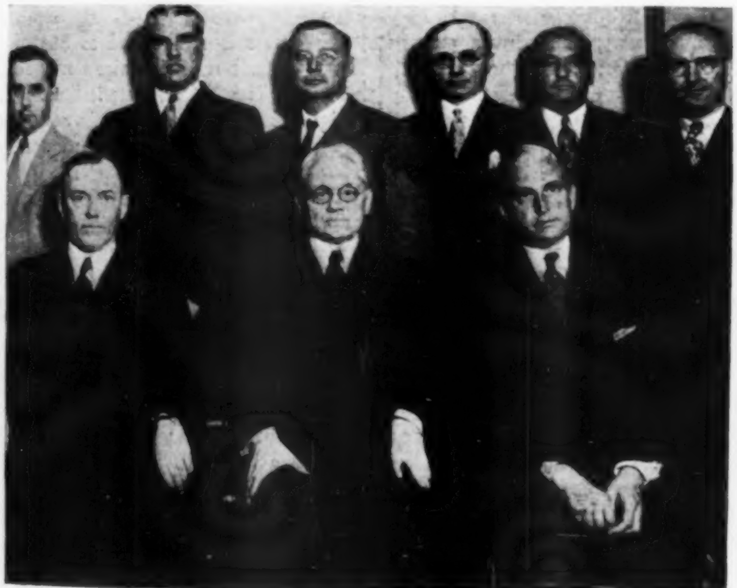
WITH revival of buying power recognized as the essential objective of the whole recovery drive, employment statistics obviously provide the final measure of the success of that effort. For this reason, first reports of improvement in employment figures, now coming out, are commanding wide attention.

Washington announced this week that August reports to the Bureau of Labor Statistics from 16 major industrial groups show a 0.5% increase in employment as compared with July, reversing a 2-year continuous downward trend, though August payroll totals registered another 1% drop from the preceding month. In manufacturing industries alone, employment rose 1.4%, payrolls 0.3% from July levels.

New York's August gain over July, amounting to 2.9% in factory employment and 3.7% in factory payrolls and wiping out more than half the severe losses of the June-July period, is considered particularly significant. Reasons: (1) The state's normal seasonal increase for August in both categories is a fraction of 1%; (2) August, 1932, was the first month since September, 1931, to push New York totals ahead of those for the previous month. Reports are based on a survey of 1,500 industrial organizations by Industrial Commissioner Frances Perkins. Incidentally, they show that New York City factories went further ahead than those of the state as a whole, with employment rising 6.4%, payrolls 7.2%.

Pennsylvania's figures likewise support the upturn. In a survey of 813 manufacturing plants employing about 216,000 workers in that state, the Philadelphia Reserve Bank finds a July to August increase of over 2% in employment, of nearly 5% in payrolls. In 573 Keystone State plants representing 47 industries average man-hours worked in August were 6% higher than in July.

Illinois backs up the showing in the East with a similar first August employment and payroll rise since 1929. Reports to the state Department of Labor covering operations of 1,497 industrial establishments between July 15 and Aug. 15 put jobs 1.2%, payrolls 2.8% ahead of the previous period. It was the manufacturing industries that reversed the trend. Their jobs went up 2.8%, their payrolls 7.1% against losses of 0.4% and 1.6% respectively among non-manufacturing industries. Chicago, like New York City, beat the state record. From July 15 to Aug. 15 its 9,508 factories provided 3.9% more jobs, paid 9.1% more in wages than in the previous month.



International News

Motors; Smith of Missouri-Kansas-Texas Lines; Galvin, Ohio Steel Foundry; Presley, Chamber of Commerce, San Francisco; Cannon, of Cannon Mills. Seated, Gifford of A. T. & T.; Sloan of General Motors; Dennett, General Capital Corp.; Teagle, of Standard of New Jersey, chairman; Robinson, chairman of the Central Banking and Industrial Committee, Administration advisor; Ranney of International Harvester

Slowly, Coal Industry Reaches Pay Agreements

SLOWLY, the coal industry is effecting wage readjustment. Indiana miners and operators signed a new scale Sept. 10. Rough analysis indicates it is a horizontal 25% cut.

The Illinois scale made varying adjustments for varying jobs, so that comparison between the scales of the two competing fields is difficult, but in general, Illinois operators feel that Indiana has a slight wage advantage. Production in Indiana, 1931, was 13 million tons; in Illinois, 44 millions.

Trouble persists in Illinois, but the larger mines are hoisting coal, and enough of it to supply the whole market. Numerous mines still are closed, and there has been some violence, but general feeling in the industry is that the trouble will subside.

Negotiations between anthracite operators and owners continue their patient progress. Operators talk cost of living and the general deflation of commodity prices. Miners talk excessive royalties and freight rates. Both royalties and freight rates are matters outside the control of operators. In any event, it now seems certain the negotiations will have no effect on this season's production. If both sides get to the point of naming a commission of 2 with authority to name a third member, that commission will have 90 days to reach a decision. And even the naming of a commission seems some time ahead.

Cement Industry Wants Secondary Road Market

AIMING at capture of the huge market for secondary road surfacing materials, cement manufacturers are persuading a half dozen states to lay experimental stretches of cement macadam road. New Jersey has laid the first; New York is about to get bids on a mile stretch; in Pennsylvania, manufacturers are furnishing the cement free.

Secondary roads have been mostly ordinary macadam, or bitulithic sur-

faced macadam. Concrete roads have been too expensive except for main highways.

The cement industry now has turned to something resembling the Hassam road, first developed in New England 25 years ago, abandoned about 10 years ago. Since that time it has become standard construction in Europe and Australia.

Have Stood Up Well

The new experimental roads consist of crushed stone, $1\frac{1}{2}$ to 2 in. sizes, compacted by rolling and grouted with cement, the whole 6 in. thick. Such roads have stood up well abroad. Costs in this country will run about $1 a square yard, exclusive of sub-grading. Cost of sub-grading is not included because the principal use of this pavement is for a new surface over old roads.

One particular cement company is introducing a type of cement, new here, but widely used in Germany, where it has built roads remarkably free from cracks. Prof. Otto Graf, of the Stuttgart Technical College, has just reached this country to act as consultant in developing the manufacture and application of the new cement.

The Business Week

SALE MAKER—*Frigidaire uses this device to demonstrate its new insulation of crumpled aluminum foil which increases usable space, cuts down shipping weight. An electric light bulb inside keeps water boiling in the test tube; three walls of plain metal are too hot to touch, the fourth shows ability of the new construction to stop heat*

Mail Order Houses Put New Props Under Sales

SALES strategists of the big mail order houses are advancing with new ideas, countermarching with old ones. Sears, Roebuck & Co. announces a "shopping-savings" service for its 7 retail stores in Chicago. The agency is its affiliate, Sears Community State Bank. Savings depositors may use their pass books for purchases in any Sears store. Meanwhile, intensive preparations are expected to make Sears' 46th anniversary sale (ending Sept. 24) a record-breaker. Since the event began in 1930, dollar sales have topped preceding years. Expectations of maintaining this increase are supported by the fact that much buying for the sale beat the rise in commodity prices.

Montgomery Ward & Co.'s countermoves include a return to style merchandise in the semi-annual catalogue listings. Difficulties of keeping pace with shifting modes caused them to eliminate women's ready-to-wear in last spring's book. "Requests of many customers" and new methods of cataloguing have caused a reoffering of these lines. (The fact that small mail order companies have been doing very nicely with lines abandoned by the big houses probably was another argument for resumption.)

"G-E, Jr." Joins the War on Horde Of Cheap Refrigerator Assemblers

IN 1914, there was one manufacturer of household electric refrigerators; in 1931, there were 77; today there are 114.

In September, 1932, Frigidaire and General Electric announced new lines, selling around $135 (5 cu.ft. capacity).

There is a definite connection between the two sets of facts. Most of the 50 manufacturers who have entered the field in the last 3 years are mere assemblers of cheap parts, for sale through mail order and department store outlets at prices that were far below anything the leaders in the field could meet with their standard lines.

Frigidaire moved first, with its new model. The trade heard next of General Electric's new refrigerator shorn of the famous monitor top, to be put out by Edison-General Electric Appliance Co. and called (probably) "The Edison."

Official C-E announcement corrects first impressions. The new models will, indeed, lack the monitor top; they will carry 1 year guarantee instead of 4; but they will be called "General Electric, Junior."

List price is announced as $135 for the 5 cu.ft. box. Frigidaire's new line, same size, is $137.50, installed, tax-paid, freight extra. (Freight to Boston, for example, is $4). G-E does not specify what its price includes.

Can Also Trade Up

Frigidaire has indicated its sales drive will use the text, "Why buy a Nameless, when you can have a real Frigidaire for about the same price?" The pious hope is to drive the "built to a price" assemblers out of the field, also, no doubt, to give Frigidaire dealers a leader with which to draw customers into the display room. Once in, perhaps they can be sold a better box of more adequate capacity.

General Electric apparently subscribes to the same philosophy.

The strategy does not lack critics (what sales plan does?). Critics suggest that if this ever had any chance of success, it was a year ago when it might have discouraged scores of factories from starting up at all. Now it is just possible the only effect may be to stimulate small fry to turn out even cheaper stuff.

Studebaker Acquisition of White Consolidates Truck Position

Pierce-Arrow, Rockne, and its own trucks and cars give company broad coverage of motor field

STUDEBAKER, which extended its passenger car line and first went into heavy trucks with acquisition of Pierce-Arrow in 1928, is about to consolidate its position in the truck field by a merger with White Motor Co.

Both are automotive pioneers. White, maker of sewing machines, began making automobiles in 1901. Early Whites were steamers; later, the company shifted to gasoline engines. In 1917, it stopped making passenger cars, concentrated on trucks, particularly fleets of trucks.

Studebaker is older than the automobile itself, dates back to 1852 when only the wildest dreamers could conceive of a horseless carriage. In 1911, Studebaker Brothers Mfg. Co., makers of fine carriages, buckboards, buggies, democrats, wagons, and automobiles, became the Studebaker Corp.

In 1928 and in 1931 it expanded in both directions, taking on Pierce-Arrow at the top, entering the small-car field with Rockne at the bottom.

Now comes inclusion of White Trucks, just as logical. For Studebaker long ago made a name for itself with the lighter truck and bus units. Addition of White completes the line with heavier vehicles equally well known. As in the case of Rockne and Pierce-Arrow separate identities will be preserved, although sales and service may be merged for reasons of economy.

Price $25 Millions

Studebaker will pay $5 in cash, 1 share of Studebaker common, and $25 in Studebaker 6% gold notes for each share of White stock. With 650,000 shares of White outstanding, this comes to $3,250,000 in cash; $16,250,000 in notes; plus 650,000 shares of Studebaker quoted at around 7 to 9. At, say, 7½, this would stand Studebaker $24,055,000 altogether.

One of the oldest of the automobile companies, Studebaker has never lost its young ideals and ideas. It pioneered free-wheeling in this country, was one of the first to offer safety glass.

An early attempt to get in on the light-car market with the Erskine failed to click, but the more recent Rockne has done fairly well, the times considered. Introduced less than a year ago, it has 1,700 dealers. August shipments increased 38% over July; August Studebaker and Rockne deliveries combined totaled 29% more than the number of Studebakers alone delivered in the same period of 1931, before introduction of the Rockne.

At the present time, Studebaker is reported to be working out advanced streamlining for its new models. Included in its ideas is a new approach to the night-driving problem. Headlights are mounted *behind* the radiator and under the hood, so that a slot of light illumines the road. Elimination of external lamps aids in practical streamlining, gains miles per hour, and miles per gallon.

One of the company's greatest assets is its attitude toward sales and service. This emphasis on the dealer is logical: Paul G. Hoffman, Studebaker's aggressive vice-president in charge of sales, was a dealer himself—and a successful one—a few years ago, and still has an interest in the Los Angeles agency.

Another personality which makes itself felt is that of Roy Faulkner, the hard-working, hard-cussing automobile salesman who became president of Auburn and did so much to make that car the spectacular success of 1931.

Most recent addition to the sales strategy board is Louis K. Manley, former dean of the School of Business of the University of Pittsburgh. Then there is G. M. Graham, who heads up Rockne. He and Faulkner are vice-presidents of the Studebaker–Pierce Arrow–Rockne Sales Corp. headed by Hoffman, formed to coordinate the sales activities of the several Studebaker companies.

Truck Company Fights "Passenger" Competition

To meet competition from passenger car makers who have invaded the truck field, the Diamond T Motor Car Co. introduces a 1½-ton truck which is not only the lowest priced in the line but also the lowest priced ever built by an exclusive truck manufacturer.

The new model is priced at $545, which includes bumper and helper springs and other equipment for which there is usually an extra charge. It is a development of the same model which brought Diamond T a gain in registrations for the first 6 months of this year, is constructed to the same heavy-duty specifications.

Featured, is the Diamond T Hercules engine rated conservatively at 80 horsepower, simplified for easy maintenance. A single wrench is all that is necessary to disassemble the whole motor.

Willys Will Make Truck, Harvester Co. Will Sell It

THE times are ripening more "merchandise mergers" in which separate companies cooperate to make and/or sell a product without actual financial or corporate merger.

Latest to join up for their mutual benefit are International Harvester and Willys Overland. International Harvester, largest maker of farm machinery, and itself an important manufacturer of motor trucks, will sell a new half-ton 6-cylinder truck especially built for farm service by Willys.

Completion of negotiations was announced by L. A. Miller, president of Willys. Final details are being worked out now, International Harvester is testing the new model, production will start as soon as manufacturing arrangements are agreed upon.

International Harvester has a wide-spread sales organization which includes 181 branches, truck and service stations in this country and Canada, and some 125 foreign distributors. Independent dealers all over the world who handle Harvester products total 15,000.

Will Help Willys

For Willys, the cooperation means a good deal, is the first step in the rehabilitation program by which John N. Willys, returned from three years of ambassadoring, hopes to restore the company to its old importance.

It is rumored that this may also be the first step toward an even closer working arrangement with International Harvester. There is a good deal of talk about eventual pooling of the sales and manufacturing resources of the two organizations. It may be that Willys will also make a dirt-cheap car for the dirt-farmer trade. Certainly there will be utility models capable of transporting farm people as well as farm products in the new line.

As it now stands, the new trucks will

be marketed under the International Harvester name. They will be built to that company's specifications, and probably powered with the Knight motor like other Willys trucks.

International Harvester has just announced a new 1-ton truck for door-to-door delivery. Developed especially for milkmen, its vacuum clutch gives the driver a leg to stand on. Folding doors enable him to get in and out quickly, and the car may be operated without sitting down, using the right foot for throttle and brake. Quick parking and short turning are featured.

Zero Pressure Tire Improves Tractor Traction

GOODRICH has developed a new tire for agricultural and industrial tractors which goes all the way in reducing pressure. The Zero Pressure tire is of rubber on a slotted steel rim; replaces the steel wheels ordinarily used on tractors.

It has the conventional Goodrich tread, and under load, this tread makes a concave contact with the ground which gives it a packing effect in soft soil and better traction.

Equipped with such cushion tires, a tractor may be used on pavement or in the fields, can be worked in orchards, vineyards, and like places where steel wheels would injure the roots.

Indiana Gas Discount Becomes Open Price Cut

AFTER a 2-week honeymoon, Standard of Indiana has divorced the quantity discount plan, perhaps because of incompatibility with its code of ethics, gone back to a straight price cut.

However gallant, the attempt to make an honest discount out of the quantity plan was foredoomed to failure. It brought out into the open an old and vicious practice better left concealed.

Henceforth, the company will meet discounts with frank price cuts like the present reduction of 2¢ on Red Crown Ethyl and Standard Red Crown.

Discounts obtainable from now on at Standard of Indiana stations will be strictly commercial affairs, as sanctified by the industry's marketing code. Only vehicles owned and operated exclusively by a commercial user of gasoline for commercial purposes will be eligible. And a commercial user, by definition, must "operate, have licensed in his name, and commercially use in his business at least one bus, truck, or cab and/or a minimum of at least 5 motor vehicles other than a truck, bus, or cab." Identification cards will be furnished and the contract is cancellable on 5 days' notice.

Most major companies followed Standard in declaring the open discount (*BW—Sep14'32*). Only the details were different. Some gave the discount in advance, others made it a rebate on proof of consumption of a minimum gallonage.

Faced with a straight price cut, it is not only likely but probable that the other big companies will again follow Standard's lead.

Openly arrived at, the price cut—made necessary by competition—may serve to impress upon a hard-boiled and realistic industry the necessity for further prorationing in crude production and, especially, in refining.

With the summer motoring season drawing to a close, with automobile use continuing to decline, something will have to be done if the present price structure is to be even approximated.

Time Payment Repairs Get Finance Co. Approval

THE sign "All Parts and Work Strictly Cash" which traditionally hangs in every automobile repair shop and dealer service station may be changed to read "Ask About Our Easy Payment Plan" if the recommendation of the National Association of Finance Companies is followed.

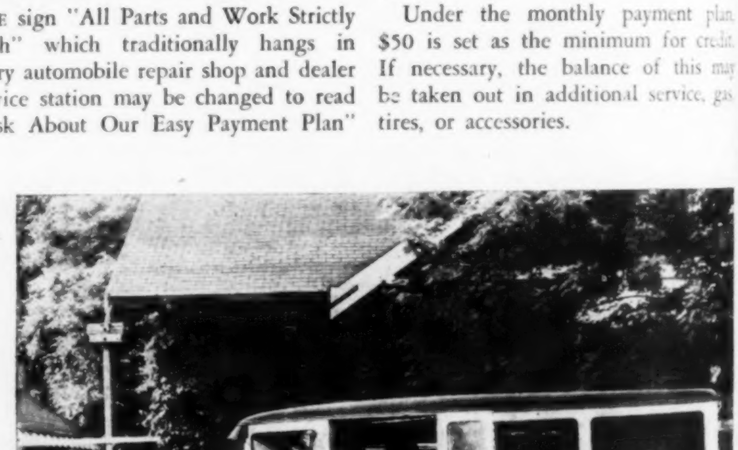
In the bulletin to members, C. C. Hanch, general manager, remarks that "automobile repairs, like haircuts, have been on a strictly cash basis . . . Owners have been trying to get out of their cars the last available mileage without incurring repair bills or trading in for a new model . . . We believe that this arrangement will result in putting back on the road many cars that have been retired because of needed repairs, will also permit owners of defective cars to put them into shape again with small initial outlay."

Supplies a Need

Certainly the many motorists trying to keep the old car rolling through the rest of this period of reduced incomes form a substantial market for the more or less major repair jobs necessary to make an old car perform with any degree of assurance that it will not break down on the road.

And with new car sales lower than at any time in the history of the industry, dealers are glad to get the valve jobs, ring jobs, and general overhauls which keep the shop busy and help to pay the rent.

Under the monthly payment plan $50 is set as the minimum for credit. If necessary, the balance of this may be taken out in additional service, gas, tires, or accessories.



MILKMAN'S SPECIAL—*He can hop off and on easily, drive standing up. International Harvester's new delivery truck will do everything the old horse and wagon could do except cross the street without being told*

Bay State, Insurance Laboratory, Tries Lower Rate, New Protection

MASSACHUSETTS most conservative of states, stands for the most radical of automobile insurance laws. In the old Bay State, the innocent bystander is watched over as nowhere else; since 1926 he has been protected by compulsory personal liability insurance. No car can be licensed to operate without a certificate of insurance.

The rest of the country watched the experiment closely, saw this proving ground of the insurance principle become a battle ground of rates and politics. All owners were required to insure; likewise, all companies doing business in the state were required to write the insurance.

The Citizenry Squawks

Rates were announced by the Insurance Commissioner. Based on limited experience, they climbed annually, amid the loud squawks of the citizens and the happy cries of the ambulance chasers.

Politicians denounced the insurance companies, but the companies were as worried as the citizens. Under the rates arbitrarily fixed by the commissioner, they lost rather than made money. Some estimates put their total loss for the last five years as about $14 millions. In 1931, according to F. H. Chase, representing 40 stock casualty insurance companies, premiums paid came to $17,780,467; losses paid amounted to $12,514,568 and expenses were $6,628,156.

Claims reached startling totals. It was almost as if Massachusetts motorists, having paid stiff premiums in order to register their cars, had said to themselves, "Well, we've paid for it, so we might as well use it."

Reductions—But Small!

After a few years of this, the citizenry began to appreciate the arithmetic of the situation, various civic bodies organized anti-accident drives. Three years of depression amplified the effect of painfully high premiums.

Announcement this month of rates for next year touched off no immediate explosion of protest, such as is customary on this occasion. Accustomed to annual increases, the people were perhaps taken unawares. The office of the Insurance Commissioner, usually bedeviled with protests, began to breathe easily.

Then the time fuse acted. Communities which had received reductions considered them too little. Neighboring towns, which had received none, showed their resentment. Cities which had been reclassified objected. The public generally was ungrateful for what it considered a small favor. A Ford owner in the Boston district, for instance, felt that a reduction of $7 on an annual premium which had started at $29 and jumped to $87 was nothing to be satisfied about.

And Another Law

Insurance companies pointed to their losses, pleaded with the commissioner to consider the outstanding claims of previous years and take into account the difference between estimated and ultimate liability.

Coincident with a public hearing on the new personal liability rates, another law was entered in the Bay State proving ground which makes practically compulsory the carrying of property damage protection.

Under this law, unless he is insured, a Massachusetts motorist has 60 days in which to pay a judgment for property damage. Then he is ruled off the road and his license suspended. When insured, the insurance company assumes the responsibility of payment.

Rates, as yet unannounced, will presumably be based on the state's experience with personal liability. The law itself aroused a storm of protest.

Paint Makers Set Out To Save the Surface

PROSPECTS of an upturn strong enough to put some "rejuvenation" money in company and family treasuries has stirred the paint manufacturers into action. They know that many a plant and home has had to go without needed paintwork during the depression. They also foresee an opportunity to capitalize on the current urge toward modernization as a means of making employment and speeding up the flow of business.

First evidence of the turn in the industries devoted to the manufacture of paints, varnishes, and related products is the announcement that Sherwin-Williams of Cleveland, a leader in the field, will guarantee prices against decline until Jan. 1. Simultaneously, George A. Martin, president of this company, has launched an advertising campaign urging offensive operations against plant and home deterioration. Newspaper and periodical advertising is being tied in with window displays in the company's owned stores, numbering more than 100, and in its 17,000 dealer outlets.

The surface-saving industries have been hard hit in a time when many of their customers have found it difficult to save anything. Figures from the Census of Manufactures show that sales of paint, varnish, and related products by companies whose chief business is the manufacture of such products totaled only $331,838,000 in 1931—a 37% drop from the $530,590,165 volume of 1929. During the first 6 months of 1932 the gallonage curve slipped 10% to 15% under the level for the same period of 1931 and, due to heavy price cuts in May and June, dollar volume went off about 25%. As in so many other lines, dealer stocks have been allowed to slide to new lows. Best-sellers have been quick-drying enamels and ready-mixed paints for home use, though sales to factories are reported to have been picking up. Biggest slump has been in the demand for painting new structures. There haven't been many new structures. Sales to the paint makers' 3 largest industrial outlets—automobile manufacture, the railroads, and the building trade—have suffered heavy declines for obvious reasons.

Turn in Soap Prices Is Toward the Big Companies

As in other industries, the small soap manufacturer has been cleaning up during the toboggan era of commodity prices (*BW—Jul13'32*). With the upward turn, advantages are reversed. The day of reckoning for the little soap maker may be at hand. Procter & Gamble, giant of the giants, announces price increases on 2 important laundry soap lines—a rise of 12½% for one, 20% for the other.

Competition in laundry soaps has been savage. The profit margin was narrow or non-existent. With raw materials rising, profits at old prices were impossible. P.&G. took logical action. The increase is the first for a soap leader in 2 years. Expectations are that the rest of the industry will follow suit.

On a falling market, big soap makers suffer. They must buy huge supplies far ahead; as quotations fall, losses must be taken on inventories and contracts for the future. The small manufacturer buys for his needs in small lots,

is able to profit by continuing recessions. When the turn comes, the big buyer gets the benefit of lower quotations for quantity orders, contracts at these levels for materials which his smaller competitor must later buy at higher prices.

While general price increases are not expected, the outlook is decidedly better for the big corporations. P.&G., Colgate-Palmolive-Peet, Lever Bros., the packers, are said to be well stocked at prices below present quotations.

The P.&G. advances are on (1) O.K., a yellow laundry soap the price of which has been raised from $1.80 to $2.10 for a 60-bar case; and (2) Clean Quick flakes, the price of which goes from 3¾¢ to 4½¢ per pound. No changes have been announced for Ivory, Camay, and other famous brands which were reduced about 30% in June. P.&G. is expected to lead in raising prices on toilet soaps—but action may be delayed until supplies acquired at extreme low prices are exhausted.

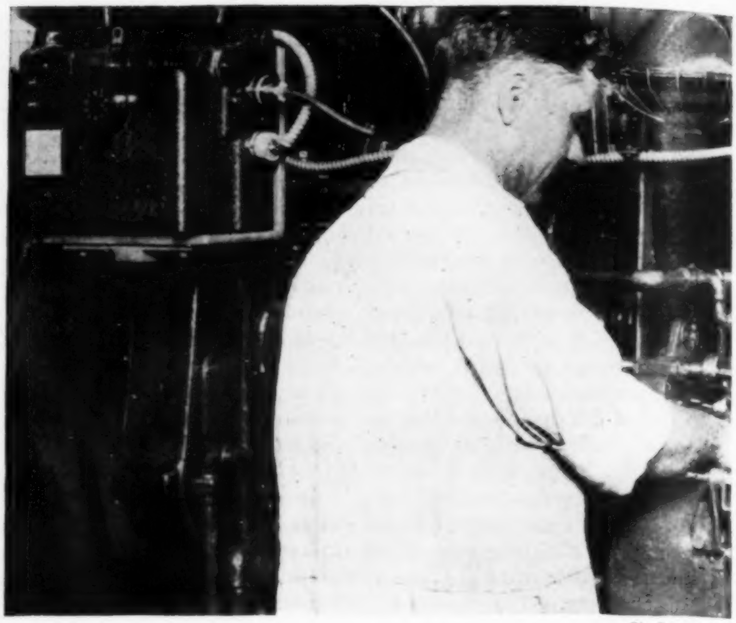
Newsprint Burdens Break Through Price Schedule

NEWSPRINT's burden of woes (*BW—Aug10'32*) dropped on the price schedule last week about as expected, though a little sooner than most buyers had anticipated. Price Bros. & Co., Ltd., one of 3 Canadian newsprint companies which were forced to default on August bond interest payments, cut the f.o.b. quotation established last January from $53 to $47.50 a ton. International Paper Co. followed, dropping to $46.

Montreal remarked that this was merely doing in public what rebates, special discounts, and other like devices had been accomplishing in private for several months. New York sought an explanation in Scandinavia.

Scandinavian newsprint has been coming into Atlantic and Gulf ports at around $37 a ton, insurance and freight paid. Imports of approximately 89,000 tons during the first 7 months of 1932, small for "normal" times, represent a troublesomely high percentage of Canada's present curtailed production.

However, the Scandinavian shipments are far from being the whole story. They chiefly affect the spot market. Canadian producers are worried about what will happen when their long-term contracts come up for renewal in November, with the whole industry overproduced, deep in financial troubles, and more interested in present contracts than in profits of long-term cooperation.



The Business Week

CHRONOLOG ON DUTY—*Installed, upper left, is the device which conducts a continuous time study, warns of idle time, provides complete production records which catch the costly little delays*

Time Clock for Machine Permits Accurate Production Control

INDUSTRIAL management has a new tool, a time clock for machines which permits a closer control of production than at any time since the immortal Taylor and his stop-watch.

It is called the Chronolog, is the result of development work and tests by the National Acme Co. covering several years. It will be manufactured by National Acme in Cleveland and marketed by Graybar Electric Co.

The Chronolog can be applied to giant presses which stamp out a half an automobile body and to packaging machines which wrap little pills in cellophane. Its aim is to cut costs by reducing idle time. Acme states that test installations on various types of machines show productive activity increased 20% to 83%.

At starting time, the operator inserts his key in the Chronolog mounted on his machine, turns the switch to "On." The Chronolog records that fact by printing the time on a roll of tape. From then on, the clock time is recorded at fixed intervals, together with cumulative totals of production time, idle time, and pieces produced. Visible indicators show the operator his progress.

When the machine stops for any reason, a red signal light warns the foreman that a machine is out of production. The operator then dials the reason for the delay. Time out for setting up, waiting for stock, tool grinding, inspection or personal is recorded by symbol on the tape.

During the idle time, the Chronolog continues to print the fact and the reason, stops adding up productive minutes and starts totaling idle minutes.

The operator is shown the cause of idle time, given an alibi for causes beyond his control, saved the trouble of counting pieces without fear of over or under runs. The Chronolog helps him in figuring bonuses, and if its worker is one of a group, he can see what the other fellows are doing.

The foreman is given complete facts which enable better supervision, eliminate arguments on rates because everything is in writing.

The manager gets a printed record which reveals without special interpretation the causes of wasted time and makes possible a study of methods to reduce it. Presence of foremen, repairman, etc., who have a definite influence on production may be recorded also.

The Chronolog detects, without itself

wasting time, those small losses which usually go unnoticed but which add up to sometimes startling proportions, permits immediate correction where that is possible, and makes a permanent record which can be considered later.

Worthington and Gamon Pool Meter Business

ANOTHER "merchandise merger" is reported. Worthington Pump & Machinery Corp. and the Gamon Meter Co. will combine sales and service, engineering and manufacturing facilities.

Like that of American Radiator and Petro-Nokol (*BW—Sep21'32*) the "merger" is of products only, implies no fusion of financial interests.

The lines of meters made by the two companies are supplemental; together they will make up a complete line of disc, current or turbine, compound and piston meters for measuring all liquids.

Worthington pioneered the water meter 74 years ago, has been an important factor in the business ever since.

Rivals Protest Seatrain Rates Likely to Shift Trade Lines

Ship and rail competitors object to giving car-carriers advantage of low handling charges

A TUMULT shot with alternating volleys of rocks and roses greets the first voyage of Seatrain service scheduled for Oct. 6 (*BW—Jan27, Aug17'32*). Three boats of original design will transport freight cars clamped to rails on superimposed decks. They will ply between New York and New Orleans via Havana. Logically, the cheers come from interests which the new service will aid, the protests from communities, rail and ship lines which will be placed in severe competition.

For years the Interstate Commerce Commission has held the small hot hands of the transcontinental lines while they told of dire things which intercoastal boats were doing to their long-haul, bulk traffic. Now another set of roads leers into its cuff while coastal ship lines scuttle down to Washington to protest against the rates of the Seatrain service. Because of lowered shipping cost, Seatrain boats will increase the business of Northeastern factories and certain railroads in the rich markets of the Southwest. Interests adversely affected are (1) manufacturers of Chicago, St. Louis and other Mid-West centers which have been supplying these markets; (2) roads serving these cities; (3) roads with existing ship lines or connections.

The I.C.C. has granted Seatrain Lines permission to file tariff rates like those of coastal steamship lines which have been serving the two districts. Protesting ship lines include Morgan, Clyde-Mallory, Southern. Opposition is also voiced by the Southern Pacific Railroad (controlling the Morgan Line), Cotton Belt, Missouri, Kansas & Texas, St. Louis Chamber of Commerce, Chicago Association of Commerce. It is charged that the saving is so great by the Seatrain method of handling that an unfair advantage over the Mid-West manufacturer will be given to rivals adjacent to New York. Markets affected most will be Louisiana and surrounding states, as far west as New Mexico.

Lower Handling Costs

The fact that Seatrain rates are the same as existing ship lines is without significance. What counts is that handling charges at both ports are curtailed. Special cranes lift cars bodily from sidings and place them in Seatrain holds; at destinations the cars are again hoisted, this time from the ship to rail lines. Costly port labor and costly delays are avoided. Protesters ask the I.C.C. to suspend the published rates. New York shippers, the Associated Industries of Massachusetts, the Manufacturers' Association of Connecticut hail the Seatrain tariffs, urge the commission to let them be.

As a final complication, the overworked I.C.C. must decide before Oct. 6 whether railroad participation in Seatrain Lines, Inc., violates the Panama Canal Act by impairing competition between rail and water services. "Railroad participation" means the ownership of 1,674 shares of Seatrains' Class A stock by the Missouri-Pacific and of 1,673 shares by the Texas & Pacific—about a 7% interest each. Both roads have asked for a ruling.

Rail Unions Will Play For Time on Wage Cut

RAILROAD labor has decided to play for time in its wage dispute with the rail managements. Its Executives' Association, representing all the rail unions, has notified the operators' Committee of Nine that it sees no necessity for a wage conference at this time. On Feb. 1, 1933, the 1-year 10% pay deduction to which these unions agreed last winter will come to an end. Before that date, the operators are anxious to replace this temporary saving by a definite cut in basic wage scales, have asked for 20%.

Strenuous efforts have been made to negotiate the cut through another conference. Unless the unions stop short of bluffing it out all the way, these efforts have been blocked by the decision this week. In that case, the managements' appeal must be routed through the tortuous procedure set up by the Railway Labor Act.

Before its gamut of mediation, arbitration and emergency boards has been run, Congress may have joined the wage debate, the I.C.C. presented its recommendations on the 6-hour day for rail workers, and railroad business picked up along with all other business. If the union strategy of delay yields the last of these benefits, the railroads' poverty plea will be weakened; if prices rise with further recovery, their basic contention that the cost of living has dropped more than rail wages will not be so impressive.

Union leaders are believed to be counting on all these possibilities. However, they have also to count on internal politics. They agreed to one conference and to one wage cut. They told their followers that the 10% deduction would be drawn on by the roads to rehire employees who had been laid off. Since then, the members assert, an additional 100,000 have lost their jobs. To their leaders, it can hardly fail to seem better politics to let someone else take the onus of another cut, at least to force an undebatable demonstration of its inevitability.

New York Gets Rates On Store-Door Service

NEW YORK is all set for its railroads' long-promised experiment in store-door delivery. Business men there and in other cities where the roads are likely to duplicate the service if successful are examining tariffs filed Sept. 15. These will take effect Oct. 17 unless I.C.C.

hearings or additional litigation further delay the start.

Basic trucking charges for less than carlots picked up or delivered within 2 miles of designated rail freight stations will range from 10¢ a 100 lb. with a \$1 minimum to 40¢ a 100 lb. with a \$3 minimum depending on classification. On carlot shipments the range will be from 6¢ for 36,000 lb. and heavier to 20¢ for from 10,000 to 13,999 lb. Manhattan, most of the Bronx, Brooklyn, Queens, and 75 points in New Jersey are in the zone. Under the joint plan each road will make its own tie-up with a trucking company.

Pennsylvania has anticipated the inaugural of stone-door delivery with a new type of service. On the day the new tariffs were filed it announced that it was ready to provide customers with trailers for transportation of carlot shipments between store- and car-door. The trailer selected can be coupled to several types of tractors. The transfer between trailer and car will be made at the Jersey City yards but shippers or consignees will pay only for the movement between their doors and the nearest Penn freight station in Greater New York. The new service is expected to expedite service, reduce handling, minimize loss and damage claims.

Meanwhile, the 4 Brooklyn terminal companies that tried to block store-door service on the grounds that it constituted an extension of the railroads' lines have one more chance. Appeal on their application for an injunction lost in the lower courts will be heard in the U. S. Circuit Court of Appeals at Philadelphia in October.

Double and Dual Elevators Promise Building Economies

In the office building of the Westinghouse Electric & Manufacturing Co. at East Pittsburgh, 2 elevators are pumping up and down the same shaft. In the 66-story Doherty building, known as Sixty Wall Tower, at the lower end of Manhattan, double-decked elevators loading on 2 floors are ready for use when the traffic demands.

Engineers and architects with hopes of construction revival are watching these examples of modern vertical railroading. For building heights are limited mainly by elevator economics. To get the greatest output in vertical transportation per square foot of space taken and per dollar of expenditure is the problem, and its solutions hold a lesson for the economical construction and operation of less spectacular towers.

Skyscrapers are necessary to make profitable use of high-cost ground space. The higher they are, the less the financial weight of that expensive urban soil on the square footage above. But the higher the building, the longer it takes an elevator to make a round trip, the more elevators there must be to maintain adequate service. And, finally the more elevators, the higher the proportion between expensive operating space and rentable, revenue-producing space.

The double-decked and the dual-car elevators were developed to meet this problem. Found workable, their application to buildings of moderate height promises adequate service with smaller subtraction from renting space, greater return on investment and competitive leeway.

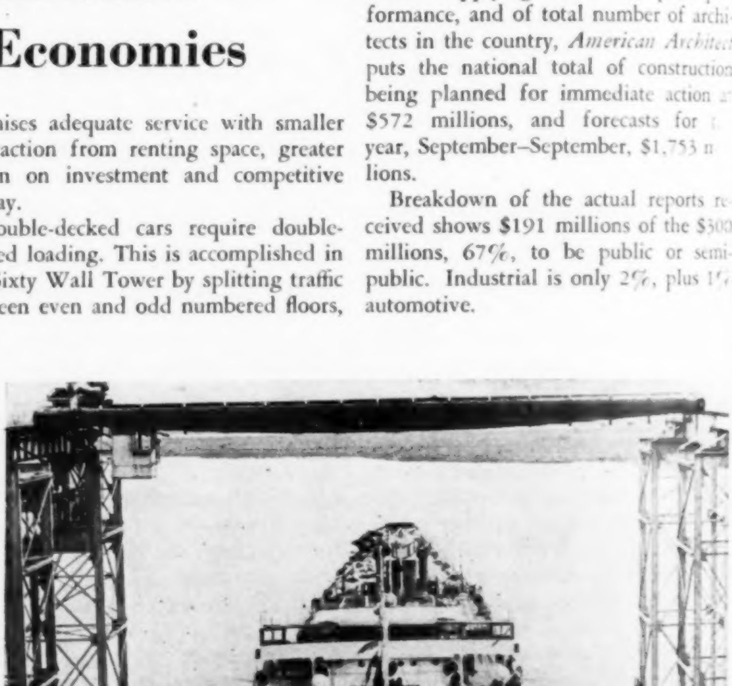
Double-decked cars require double-decked loading. This is accomplished in the Sixty Wall Tower by splitting traffic between even and odd numbered floors, with the street level half way between so that passengers need walk but a few steps up or down.

In the dual system, 2 cars operate in the same shaft, the upper car running express for a distance, the lower one following with local service. Electrical and mechanical devices make it impossible for the cars to touch. If the upper one, for example, should be slow in loading at a floor within the range of the lower car, the latter will automatically wait until the way is clear.

1,636 Architects Report \$330 Millions on Boards

Architects to the number of 1,636 report to *American Architect* that they are making plans for new construction authorized to proceed immediately to the amount of \$300 millions, and modernization work to the value of \$30 millions. Applying ratios of past performance, and of total number of architects in the country, *American Architect* puts the national total of construction being planned for immediate action at \$572 millions, and forecasts for the year, September–September, \$1,753 millions.

Breakdown of the actual reports received shows \$191 millions of the \$300 millions, 67%, to be public or semi-public. Industrial is only 2%, plus 1% automotive.



Acme

"Seatrain New York"—*The first of the ocean-going freight train carriers is launched, will soon enter the New York-Havana-New Orleans service*

Domestic Allotment Would Alter Whole Basis of Farm Relief

Plan to substitute subsidy for price-raising scheme has support among industrial and banking interests

THE problem of effective legislation for improvement of agricultural conditions is being forced to the forefront of political issues partly by the outbreak of active agrarian revolt in the Middle West and partly by the promises made by Mr. Roosevelt on his Western tour. The interest aroused among farmers by the Roosevelt proposals is compelling the Administration to consider its farm relief policies more seriously from the political point of view and, despite the tendency of Administration officials to disparage the Roosevelt suggestions, it is understood that the President will have to devote one of his few campaign speeches to rejoinder.

Farmers' Strike Spreads

The farmers' strike or holiday movement in the Middle Western states has been quieted by the recent governors' conference at Sioux City, but instead seems to be spreading on a more systematic and organized basis. The farmers' holiday movement, revolutionary as it seems, is after all merely the extreme expression or logical conclusion of the farm relief policies which the Administration has so far followed, and in which it was to a large extent supported by the national farm organizations. The essential idea in all of the farm relief measures that have been applied up to the present has been to increase the price of farm products by controlling the marketing process.

Vague Gestures

The Administration and the Farm Board, it is true, have at various times made vague gestures in the direction of persuading farmers to cut production. But the main object of Administration policy, always heretofore supported by the farm organizations, has been to strengthen cooperative associations in the hope that they might be able to hold up prices by various forms of orderly marketing. Where this seemed too slow or weak to accomplish the purpose, the idea of the government's buying part of the crop and holding it till prices improved was introduced as an emergency device.

Even in the present emergency, the same point of view is involved in the attempt to relieve agricultural conditions by the use of more liberal credit facilities. The point of all this credit relief is the belief that if farmers can be loaned more money on their crops they won't have to sell them immediately but will be able to hold them and thereby prevent decline in prices.

The importance of the Roosevelt speech lies, first, in the fact that it represents a growing point of view of important industrial and business interests toward the agricultural problem rather than that of the farm organizations themselves; and, in the second place, it discards completely the Administration approach to the problem just described and substitutes an entirely new one which the Republican party has so far definitely ruled out through the successive veto of the McNary–Haugen bills. It is understood that the Roosevelt speech was drafted in close consultation with important Eastern industrial and banking interests which have come to realize the crucial importance of a restoration of agricultural purchasing power for business recovery. This speech is expected to be followed by another even more significant from that point of view because it may be delivered in the East, primarily to business and financial interests.

So far from being indefinite, the 6 specifications for a plan of farm relief laid down in the Roosevelt speech were a precise and explicit description of the domestic allotment plan.

History of the Plan

The domestic allotment plan was first suggested by the late Dr. Walter J. Spillman of the Department of Agriculture and developed by Professor John D. Black of Harvard University and Professor N. L. Wilson of the Montana State College. It has been subjected to considerable quiet discussion by farm groups and business men, and in April this year, a committee was set up to draft a bill embodying the plan to be presented to Congress. That committee was composed of Mr. Wilson, Henry I. Harriman, president of the U. S. Chamber of Commerce, R. R. Rogers of the Prudential Life Insurance Co., Louis S. Clarke of Omaha, president of the Mortgage Bankers Association of Nebraska, Henry Wallace, editor of *Wallace's Farmer*, and W. R. Ronald, editor of the *Evening Republican* of Mitchell, South Dakota. Just before Congress adjourned, the bill embodying the plan was introduced in both houses, but too late to be acted upon.

Principal Features

The essential features of the domestic allotment plan are:

Each farm producing wheat, cotton, hogs, tobacco, or rice is to be allotted each year, or at shorter intervals for hogs, a definite production allowance based upon the average production of that product on that farm over the past 5 years. The total allotments for each product are to be determined for each state by the federal government on the basis of the Department of Agriculture figures showing average acreage during the preceding 5 years and average yield per acre for crops during the preceding 10 years. Each state would similarly determine the total allotment for counties through a state commission, and each county or township could set up a voluntary board of farmers to determine allotments to individual farms.

The plan would be put into effect only when at least 60% of producers of the product by referendum agree to abide by it and sign contracts with the government. These contracts would stipulate that the farmer must not produce more than the alloted amount and must agree to reduce his production according to instructions issued by the Federal Farm Board or similar agency.

Subsidy Equals Tariff

In return for this agreement, the producer would be paid by the government an amount equal to the tariff on the product for each unit domestically consumed. This would amount to 42¢ per bushel for wheat, 5¢ per pound for cotton, 2¢ per pound for hogs, 5¢ per pound for tobacco, and ½¢ per pound for rice, these being the crops with a surplus for export to which alone the plan would be applied, since other products already receive the benefit of increased price through tariff. The proportion of the crop required for domestic consumption would be determined by the Department of Agriculture each year. These payments would be made in addition to the regular market price received by the farmer.

The money to pay this subsidy to farmers agreeing to control production would be raised by a federal excise tax levied on processors or distributors of the product, and also on substitute products like silk and rayon. No tax would be levied on products exported, or on

hearings or additional litigation further delay the start.

Basic trucking charges for less than carlots picked up or delivered within 2 miles of designated rail freight stations will range from 10¢ a 100 lb. with a $1 minimum to 40¢ a 100 lb. with a $3 minimum depending on classification. On carlot shipments the range will be from 6¢ for 36,000 lb. and heavier to 20¢ for from 10,000 to 13,999 lb. Manhattan, most of the Bronx, Brooklyn, Queens, and 75 points in New Jersey are in the zone. Under the joint plan each road will make its own tie-up with a trucking company.

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In the dual system, 2 cars operate in the same shaft, the upper car running express for a distance, the lower one following with local service. Electrical and mechanical devices make it impossible for the cars to touch. If the upper one, for example, should be slow in loading at a floor within the range of the lower car, the latter will automatically wait until the way is clear.

1,636 Architects Report $330 Millions on Boards

"SEATRAIN NEW YORK"—*The first of the ocean-going freight train carriers is launched, will soon enter the New York-Havana-New Orleans service*

Domestic Allotment Would Alter Whole Basis of Farm Relief

Plan to substitute subsidy for price-raising scheme has support among industrial and banking interests

THE problem of effective legislation for improvement of agricultural conditions is being forced to the forefront of political issues partly by the outbreak of active agrarian revolt in the Middle West and partly by the promises made by Mr. Roosevelt on his Western tour.

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The Administration and the Farm Board, it is true, have at various times made vague gestures in the direction of persuading farmers to cut production. But the main object of Administration policy, always heretofore supported by the farm organizations, has been to strengthen cooperative associations in the hope that they might be able to hold up prices by various forms of orderly marketing. Where this seemed too slow or weak to accomplish the purpose, the idea of the government's buying part of the crop and holding it till prices improved was introduced as an emergency device.

Even in the present emergency, the same point of view is involved in the attempt to relieve agricultural conditions by the use of more liberal credit facilities. The point of all this credit relief is the belief that if farmers can be loaned more money on their crops they won't have to sell them immediately but will be able to hold them and thereby prevent decline in prices.

The importance of the Roosevelt

History of the Plan

The domestic allotment plan was first suggested by the late Dr. Walter J. Spillman of the Department of Agriculture and developed by Professor John D. Black of Harvard University and Professor N. L. Wilson of the Montana State College. It has been subjected to considerable quiet discussion by farm groups and business men, and in April this year, a committee was set up to draft a bill embodying the plan to be presented to Congress. That committee was composed of Mr. Wilson, Henry I. Harriman, president of the U. S. Chamber of Commerce, R. R. Rogers of the Prudential Life Insurance Co., Louis S. Clarke of Omaha, president of the Mortgage Bankers Association of Nebraska, Henry Wallace, editor of *Wallace's Farmer*, and W. R. Ronald, editor of the *Evening Republican* of Mitchell, South Dakota. Just before Congress adjourned, the bill embodying the plan was introduced in both houses, but too late to be acted upon.

Principal Features

The essential features of the domestic allotment plan are:

Each farm producing wheat, cotton, hogs, tobacco, or rice is to be allotted each year, or at shorter intervals for hogs, a definite production allowance based upon the average production of that product on that farm over the past 5 years. The total allotments for each product are to be determined for each state by the federal government on the basis of the Department of Agriculture figures showing average acreage during the preceding 5 years and average yield per acre for crops during the preceding 10 years. Each state would similarly determine the total allotment for counties through a state commission, and each county or township could set up a voluntary board of farmers to determine allotments to individual farms.

The plan would be put into effect only when at least 60% of producers of the product by referendum agree to abide by it and sign contracts with the government. These contracts would stipulate that the farmer must not produce more than the alloted amount and must agree to reduce his production according to instructions issued by the Federal Farm Board or similar agency.

Subsidy Equals Tariff

In return for this agreement, the producer would be paid by the government an amount equal to the tariff on the product for each unit domestically consumed. This would amount to 42¢ per bushel for wheat, 5¢ per pound for cotton, 2¢ per pound for hogs, 5¢ per pound for tobacco, and ½¢ per pound for rice, these being the crops with a surplus for export to which alone the plan would be applied, since other products already receive the benefit of increased price through tariff. The proportion of the crop required for domestic consumption would be determined by the Department of Agriculture each year. These payments would be made in addition to the regular market price received by the farmer.

The money to pay this subsidy to farmers agreeing to control production would be raised by a federal excise tax levied on processors or distributors of the product, and also on substitute products like silk and rayon. No tax would be levied on products exported, or on

feed or products which are consumed on the farm.

The plan is essentially a subsidy and not a price-fixing or price-raising scheme. Prices of finished products to domestic consumers would be raised but not wholesale market prices. The limit set in the plan is a price which would give the producer the same purchasing power in terms of industrial products as existed in 1910-1914.

The plan fills the specifications set down by Governor Roosevelt because it provides for the producer of surplus staple commodities a tariff benefit over world prices which could conceivably be equivalent to the benefit given by the tariff to industrial producers, and does not stimulate further production. It finances itself, and does not draw on the public treasury. It does not involve any mechanism for dumping products abroad so as to cause European retaliation. It makes use of existing agencies and is so decentralized that the chief responsibility for its operation rests with the local interests rather than with any new created bureaucratic machinery. It operates on a cooperative basis and can be altered or withdrawn as conditions change. It is wholly voluntary.

Interest in the plan is widespread and approval quite general among business men and bankers who have studied it. Mr. Harriman, president of the U. S. Chamber of Commerce, is unofficially one of its most active and enthusiastic advocates.

Government's Recovery Program Stimulates Private Financing

THE main developments in application of the Administration's recovery measures during the past week have been:

Complaint from Senator Barbour (Rep., N.J.) that the R.F.C. is excessively slow in acting on self-liquidating construction loan projects so as to speed up employment before winter. This followed a similar exhortation to speed from Senator Wagner (Dem., N.Y.) some weeks ago. The R.F.C. announced its first loan simultaneously with Senator Barbour's complaint—$40 millions for 2 years' work on the vast metropolitan water district project of southern California, which, when completed, will cost nearly $300 millions.

To emphasize the importance of this first loan, the corporation accompanied the authorization with a long list of materials and equipment which will be required during the first 2 years in the vast series of projects involved, but noted that by the end of this year they will employ only 1,000 men and by July 1, 1933, use 4,500 on the job.

Bond Houses Wake Up

Since announcement of this loan, the financial aspect of the project has taken a curious turn which, in some respects, is more encouraging than the loan itself. The fact that government money was forthcoming for the first 2 years of this work, the rest presumably to be financed privately, has stimulated bond houses to consider financing the whole thing, and they may overbid the R.F.C. on the bond issue for the first 2 years' operations. The R.F.C. is limited by law as to the price at which it can take the bonds of self-liquidating projects as security for its loans. It now appears that this experience may be repeated on a number of other projects that have been submitted to the corporation, so that this governmental agency may in the end act chiefly as a stimulant to revival of private financing of construction work.

It is expected that the next loan for this kind of work actually to get under way will be that for the New Orleans belt bridge. The chief difficulty under which the R.F.C. labors in this part of its work is the political pressure being brought to bear for pet projects in various parts of the country, but it is apparently well protected against lavish distribution of its resources by the device of the engineering expert board which it wisely set up to sift projects submitted.

The first railroad make-work loan was finally paid out this week to the Pennsylvania. The $2 millions will employ 700 men in Penn shops for 5 months building 1,285 freight cars. Purchase of materials outside will employ more, says the R.F.C., expounding the benefits of the loan. The money will cost the Pennsylvania 5% for 3 years and no additional security was required for it besides that offered for the $27,500,000 loan for the New York-Washington electrification. Of the latter nearly $22 millions have been spent.

The R.F.C. finds somewhat less trouble in dispensing funds for direct relief under the emergency relief provisions of the Act. Relief loans to states are being distributed steadily, though with considerable parsimony in order to avoid the danger of exhaustion of the fund before winter is over. By latest account, 31 states have applied for relief loans, and 9 states have been granted loans totaling approximately $21½ millions. Thus nearly one-tenth of the total appropriation for these direct relief funds has been distributed.

Bank Demands Slacken

Indications are that R.F.C. loans to banks and other financial institutions under the original salvage provisions of the legislation by which it was established are falling off in volume as the banking situation improves with rising security and commodity prices and returning public confidence. Bank closings are running at a level abnormally low in terms of experience of the past few years.

The most intense activity of the R.F.C. immediately is in setting up its agricultural credit corporations in Western states to meet urgent requirements of livestock interest. The urgency was emphasized last week by appeal of President Hoover to private banking interests to furnish temporary financial aid to stockmen and farmers during the current cattle movement and crop season pending organization of the agricultural credit corporations by the R.F.C. Delay in such organization was due to legal factors and difficulty in selecting suitable managing personnel for them.

Home Owners Helped

The various subcommittees of this central organization are plodding along with their respective parts of the task of stimulating business recovery, but without any spectacular results so far. The most immediately helpful work is being done in cooperation with the local organizations of the National Association of Real Estate Boards, in helping distressed home mortgage debtors to meet their difficulties pending effective organization and operation of the Home Loan Banks. Stock subscriptions to the Home Loan Banks are coming in rapidly.

It now seems likely that the Home Loan Banks will be able to begin operating by Oct. 15.

Extensive local development of the work of the committee on industrial rehabilitation is proceeding actively. Local organization to stimulate interest among manufacturers in modernization of equipment is being broadened to include work among retail and wholesale trade concerns in modernizing store and office equipment and distributive facilities.

MAN'S *time and patience saved thru modern Elevator development*

B Y W E S T I N G H O U S E

Passengers are not forced to wait while the car is leveled and adjusted before they step out. The Westinghouse elevator swiftly glides to an exact floor landing. Safer, of course, is this smooth precision but, also, consider the importance of time saved.

A few seconds for adjustment allotted to each ride for every member of an organization consumes hours of productive time—paid time.

Is it any wonder that thinking men regard those lost seconds as valuable and take advantage of office locations available in buildings equipped with the Westinghouse modern elevators?

Westinghouse Automatic Inductor Control (developed and applied by Westinghouse) brings the car to a swift and accurate landing and makes possible a new efficiency in elevator operation — lower operating costs.

Westinghouse Safe-T-Ray. Now swift-moving, power-operated elevator doors are provided with rays which do not allow the doors to close if any one is stepping in or out of the elevator—a much needed safety feature.

Westinghouse
Electric Elevators

Of course Westinghouse offers complete co-operation in rehabilitation plans for elevators in elder buildings.

Soviets Use Their Oil Power To Drive Shrewd Bargains

Reported trade for Canadian aluminum is one of several deals attracting world attention

SOVIET oil is a source of worry to many a nation. Just now it is of particular interest to the Canadians, Japanese, French, and Americans. Several recent events forced it into the business limelight.

It is reported, for instance, that the Canadian Aluminium, Ltd. has made a $1-million bargain with the Soviets to trade Canadian-made aluminum for Soviet oil. The 9,000 tons of oil now docked in Montreal awaiting permission of the Canadian customs officials to be cleared are believed to be the first shipment in this deal. Canada last year placed an embargo on imports of Soviet lumber, wood pulp, and coal. Oil was not on the list, so it is expected that the shipment will be admitted by the Dominion.

Oil Program Accelerated

It is a logical bargain. Despite recent reports that the Soviet oil industry this year is failing to produce to "Plan" figures, the Soviets have made more rapid progress with their oil production program than in most other lines of industry. A lot of this oil could be utilized to advantage within the Soviet Union, especially until coal output is much greater than it is now or can soon be. However, Moscow needs foreign credits worse than oil. Hence the bargaining for export markets.

At the same time, the Russians' vast schemes for electrification and for rushing the aviation industry demand a supply of aluminum. Throughout the first Five-Year Plan, aluminum has been purchased abroad, particularly from France. Last May the first large-scale aluminum plant started production near Leningrad. To date, only the electrolytic plant is producing. Imported oxide is being used. Not until some time in October will domestic bauxite production be sufficient to supply the needs of this factory. The larger plant to be operated near the new Dnieper dam cannot be supplied from domestic sources for some time. Hence, $1 million of foreign aluminum could readily be absorbed by industrial demands in the Soviet Union.

The outside interest in the deal arises from several angles. In the first place, the United States oil industry is wondering how far Canada will go in meeting local demand from other sources than the United States. Canada is still the chief export market for American crude oil. Exports to Canada for the first half of this year ran to nearly $9 millions, compared to total sales abroad of less than $14 millions.

Some Eyebrows Lifted

A second point of interest is the fact that the public commonly associates Aluminium, Ltd. with the Mellon family. Coming after weeks of rumor that Washington is preparing to give serious consideration to bettering Soviet business relations after the election (whichever way it goes), the deal is considered significant by many responsible observers. At least, a good deal of prestige is attached to the Canadian aluminum company.

That the Canadian government should sanction such a deal (if it does), after its bold attempt at the Ottawa conference to get the British to bar Soviet imports, is something of a surprise. The London *Star* comments ironically: "We congratulate the Canadian Prime Minister on this business deal. He nearly wrecked the Ottawa conference because our representatives would not agree to destroy the little trade we have had with Russia. We are glad to see that he can put aside his prejudices on occasion." British business has taken new steps to cultivate Soviet business since the conclusion of the Ottawa conference (*BW—Sep21'32*).

Japan Breaks In

Japan enters the picture with the confirmation of the month-old rumor that the Japanese will contract for large oil supplies from Moscow. Japan is notoriously lacking in oil reserves despite its possession of the southern half of Sakhalin island north of Japan proper, and its leases of oil reserves from the Soviets in the northern half of the same island. Growing tension in the Pacific is blamed. Despite the recently threatening situation along the Soviet-Manchurian border, Tokyo evidently wants a Russian source of oil to supplement, if not replace, supplies now coming from the United States. The move supports a current belief that Moscow and Tokyo have reached some understanding on Far Eastern policy. It may presage further Soviet-Japanese business deals.

France has taken important quantities of Soviet oil for a number of years.

NEW RUSSIAN MARKET—*Farm folk throng Leningrad on opening day when a new decree encourages exchange of produce for factory goods*

Only Italy and Great Britain have been consistently larger markets. Early in August, despite the inability of French and Soviet diplomats and business representatives to come to any agreement on a mutual trade accord, France contracted with the Soviet Oil Trust to purchase 500,000 tons of crude oil annually for 5 years. For the next 2 years at least, it is likely that part of these imports will be refined oil since France is scarcely equipped now to handle such a volume of crude.

That World Conference

The Soviet attended a so-called world oil conference in New York early in the summer at which British and American producers attempted to bring about some agreement for the marketing by them of all, or most, of Russia's exports. The Soviets are reported to have demanded in return for this promise to market only a fixed amount of oil for the next 5 or 10 years, a loan of $50 millions which they might repay in oil. No agreement was reached. It has been rumored all summer that the British and American companies were attempting to agree on a plan which they could present to the Soviets this fall. The larger and the more numerous the bulk contracts that Moscow can negotiate, the smaller will be the necessity to compromise with outside demands.

Barter Theory Faces Many Practical Obstacles

World business sentiment has definitely improved in recent weeks but there is a lack of expansion reported in the export field. International trade has small chance of reviving until the various tariff and foreign exchange barriers are lowered or removed.

Barter deals, meanwhile, are reported from all corners, but they fail to bulk very large when compared with the normal flow of foreign trade which they are designed to replace.

Many of the proposed barter arrangements involve wheat and cotton now held by the Federal Farm Board. While the board has made no announcement, there is reason to believe that its members do not regard barter as a practical method for the exchange of goods on a large scale between nations.

One of the most ambitious projects which has been proposed recently is aimed especially at Soviet trade. An Eastern export group has proposed that the attempt be made to get Russian business by arranging with the Soviets to warehouse certain of their products in

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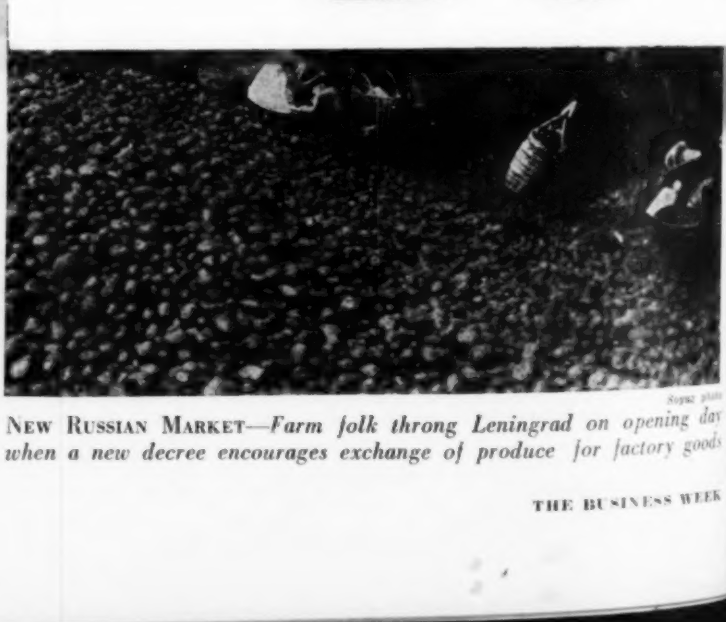

Soyuz photo

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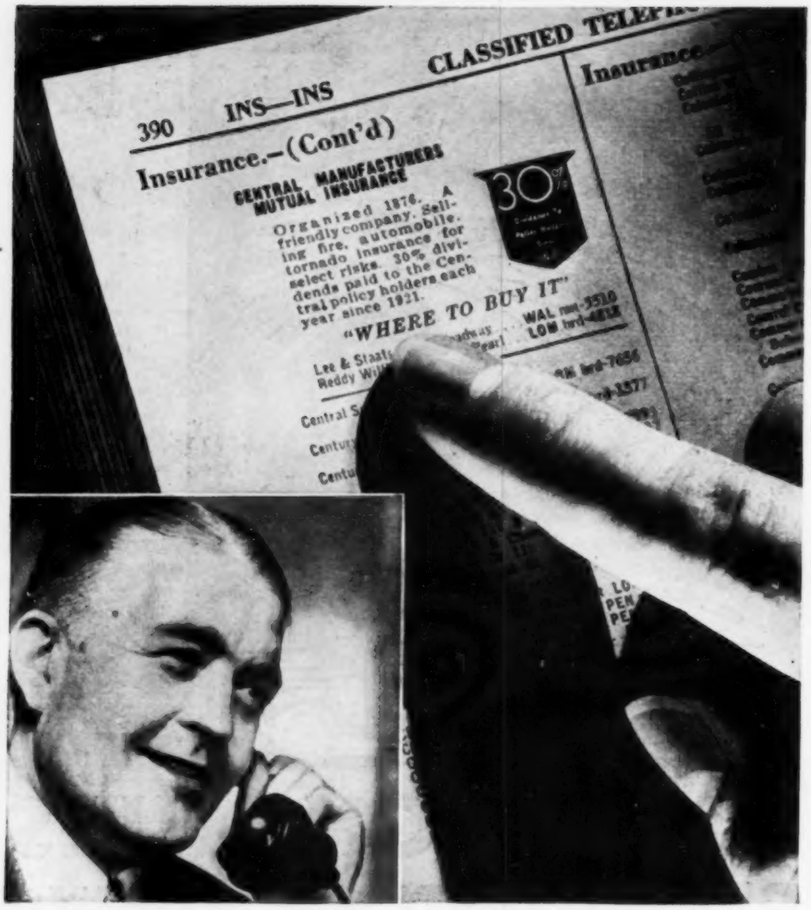


this country as a guarantee of payment on shipments which might be made to them by American manufacturers.

Authorities doubt that this plan can carry through. The Soviets have consistently refused to place large orders here this year because they could get no longer than 9 months' credit on most of the business. In Europe they have been able to get an average of nearly 20 months on many important transactions. Unless they could greatly increase their sales in the United States so that there would be a real reason for keeping a fair volume of goods on hand in warehouses on which creditors might lay claim in case of default, they would gain little under such a plan. Manganese, furs, and caviar are among the most important of Soviet imports into the United States. Lumber is coming only in limited quantities. The market for caviar is limited. Such furs as Russia exports are readily financed. A portion of the money is reported to be made available in advance. Cash is readily forthcoming for manganese.

There are possibilities in the present proposal, but it is most likely that there will be no extensive expansion of Soviet business until some other means of financing it are proposed. That is, unless the United States finds it desirable to buy more goods from the Soviets so that there is always a balance of trade which would act in itself as a guarantee of American exports.

$50 Milligram Price Spurs Search for Radium

RADIUM sells for $50 a milligram in "large" quantities of 4 grammes or more; for $70 in smaller lots. Union Minière, of the Belgian Congo, virtually monopolizes the market, because no one else can approach even these prices. Until 1918, Colorado dominated; now cannot compete. There is always the exciting possibility that a new field will, just as dramatically, supplant the Congo.

That is why discovery of silver-radium ores at Great Bear Lake has stirred the mining world. Development work going forward there is watched with the keenest interest. Results are said to be very promising.

Newer yet is the work of the Australian Radium Corp., of Mt. Painter, South Australia, which is encouraged by results so far obtained in developing low-grade radium deposits. The company hopes to erect a new plant at Melbourne.

Wide Reading

"Of Thee I Sing." William Trufant Foster. *North American Review*, September. "Our chief trouble in the present business depression is not our inability to measure the forces which make for good business and full employment, but our failure to use the available means of measurement."

The Federal Home Loan Bank Act. Thomas B. Paton. *American Bankers Association Journal*, September. Summary of the act by the general counsel for the A. B. A.

An Appraisal. *Fortune*, September. Radio advertising has been profitable during the depression. Rates, programs, results. Of interest to anyone interested in the business of broadcasting.

American Branch Plants Meet European Competition. Graham W. Parker. *Factory & Industrial Management*, October. They have taught Europe many things, but also have learned much from European manufacturers.

Are Private Car Owners Taking Away Your Traffic? *Bus Transportation*, September. Railroads and licensed bus lines are after the private "gyp" cars which advertise for fares but assume no public responsibility.

Rayon and Other Synthetic Fibers. *Textile World*, September. Eighth annual rayon year book issue. Facts and figures concerning a rapidly growing industry which has witnessed a recent significant pickup.

BOOKS

Commercial Banks, 1913-1929. League of Nations. World Peace Foundation, 429 pp., $3. General characteristics of the various commercial banking systems in 28 countries—particularly in Europe and Latin America.

Jobs, Machines and Capitalism. Arthur Dahlberg. Macmillan, 252 pp., $3. An argument for statutory shorter working hours supported by unique diagrams analyzing the present economic system.

Oil Economics. Campbell Osborn. McGraw-Hill, 402 pp., $4. Comprehensive, semi-technical and statistical picture of economic facts relating to the petroleum industry.

Mechanized Accountancy. C. Ralph Curtis. Lippincott, 143 pp., $6. Review of the latest methods of mechanical bookkeeping, with survey of the machines used.

The New Necessity. Charles F. Kettering and Allen Orth. Williams & Wilkins, 124 pp., $1. Forty years of the automobile as an index of what may be expected in other fields in the next 40 years.

International Unemployment. International Industrial Relations Institute, 496 pp., $2.50. A symposium of intensive studies of unemployment in various countries—Austria, Canada, France, China, Germany, and Great Britain.

The Banking Situation in the United States. National Industrial Conference Board, New York, 157 pp., $3. Thorough study of the changing set-up of American banking organization. Interpretation of recent developments, recent criticism.

Now let's get our feet

off the ice . . . *and sell*

"The job is to get into motion before another thirty days have passed . . . ."

from Report of A. W. Robertson, Chairman
Committee on Industrial Rehabilitation

A call for action . . . . action by those who still know how to sell

THIS Committee on Industrial Rehabilitation is getting busy without delay. It means to act, and act promptly. Sub-committees are now being formed in every Federal Reserve District. Perhaps they have already called on you.

They're going to create buyers and thereby create opportunities for sellers. They're going to call on plant after plant in every industry. They're going to sell the idea to industrial managements that modern equipment installed now will improve any company's price position, thus enabling it to compete for business as consumer demand picks up. They are going to show that it is to industry's own self interest to modernize now because equipment can be purchased and installed today for far less than its future cost will be.

It is conservatively estimated that every dollar spent or pledged on this "capital goods" replacement program, will put several other dollars to work paying wages and purchasing materials throughout other industries indirectly affected by the production and movement of basic "capital goods." Here is a sort of business revival snowball, which, if it can be started rolling now is absolutely certain to gather weight and momentum as it goes.

Here is the time and place for action by those who haven't forgotten how to sell. The Committee on Industrial Rehabilitation can't do all the work. It can create interest, arouse desires, and perhaps help solve the prospective buyer's financial problem. It can sell an idea but it can't and won't actually sell your equipment for you. That's your job!

Send your salesmen out with this picture in mind. Prepare your advertising with the same idea in view and send it out ahead to open the way for the salesman. Let advertising and direct selling do the job together—as they should. Advertising will take your sales message to the buying power of industry, to the people who are being urged to buy, by this powerful Committee on Industrial Rehabilitation. It is up to you to show them how your equipment will modernize their plants, cut their production costs, create more salable products, and better prepare them to profit by the upturn in business.

You don't have to commit yourself to advertising for a year, or even six months. You can advertise for the balance of 1932, and then judge the future on the basis of the outlook on January first.

Too many sellers have had cold feet too long. They've quit trying to sell because selling is no longer as easy as it was in the good old days. Let's get those feet off the ice . . . . and sell!

Contributed by the McGraw-Hill Publishing Co.,

Encouraged by British Success, France Attempts Conversion

THE second great move to adjust world credit costs to depreciated commodity values is under way in France. Parliament has passed the law, and the government is carrying out the conversion of nearly $3½ billions of national bonds and obligations from the 5%, 6%, and 7% rates at which they were issued, to a new reduced rate of 4½%. Annual estimated saving to the French treasury is $53 millions. The new bonds will be amortizable in 75 years, are tax-exempt. Only 6 days are allowed for bondholders to demand redemption. After Sept. 24, conversion is automatic.

Major conversion operations have been expected since the British started the trend in July (*BW—Jul13'32*) with the announcement that they would convert $7 billions of 5% securities to a new 3½% rate. British treasury officials were eager to cut budget liabilities as far as possible. The conversion made an annual saving of $100 millions. Far more important, however, was the far-sighted British conviction that industrial revival could not be expected in the midst of the present depression until the cost of financing new business was reduced to the level of depreciated commodity prices. The British conversion reduced the return on long-term bonds more than 30%. In the immediate operation, the taxpayer gained, the rentier lost. If business revival is stimulated, however, everyone stands to gain.

Should Help Industry

It was the striking success of the British operation and the urgent need in France to make every possible economy in order that a budget deficit of $300 millions might be met that encouraged the French to take the move just now. It is true, too, that there are more than $5½ billions of idle French capital which it is hoped will be drawn into industry when the anticipated lower rates make it more tempting to industrialists.

Despite the fact that barely 20% of the outstanding bonds are held by individuals, the success of the plan depends on their willingness to convert, for the savings banks and industries which hold the other 80% are expected to convert readily. The individual French bondholder has, in most cases, already been forced to take an 80% depreciation in his holdings due to the deflation of the franc. This may make some small holders balk at a further reduction. It is more likely that they will prefer to convert than to venture into foreign securities just now.

This is the second major write-down of credit values to be undertaken by a government, though the virtual writing off of the reparations payments will have eventually a similar effect on general credit conditions. Though denied, it is expected that the Italian government will be the next to attempt a write-down on its internal obligations.

Railroads See Saving In 6-Hour Day—And Pay

IN estimates submitted this week at the request of the Interstate Commerce Commission, the railroads admit that the 6-hour day, if applied at six-eighths of the wage for 8 hours, would reduce their actual payroll by $76.6% millions, or 2.96%, on the 1930 base.

This is slightly more than half of the preliminary estimate of savings published in *The Business Week* (*BW—Aug17'32*), in which no attempt was made to compute sundry deductions for offsetting factors. It puts the cost of introducing the 6-hour day, with a pro rata reduction in wages, at $2,513 millions, compared with the actual 1930 payroll of $2,590 millions and the wage total of $3,259 millions originally estimated by the roads on the assumption that the men would be paid the same wage for a 6- as for an 8-hour day.

No reference to the new estimate was made by counsel for either the managements or the unions when the I.C.C. resumed hearings this week in its Congressionally-directed investigation of the probable effects of applying the principle of the 6-hour day to railroad operation. With nothing to shake their belief that the employees would refuse to accept a cut in wages corresponding to the time cut, the managements still regard their original estimate of an increase of $669 millions, or 25.8%, in their wage bill as conclusive evidence against adoption of a 6-hour day.

The railroads' new exhibit credits to road service the major saving that could be expected from applying the 6-hour day at six-eighths of the 8-hour wage. It forecasts both increases and decreases in the payroll for other classes of work

Business Abroad—Swift Survey Of the Week's Developments

World business registers fresh gains . . . Germans, unperturbed by election prospect, plan cheaper industrial credit, anticipate reconstruction stimulus. . . . French completely absorbed in $3½ billion, 4½% conversion; first reports indicate success. . . . British more confident. . . . Danube conference creates grain outlets, augurs later broadening of markets. . : . Manchukuo an international question mark. . . . Latin America still internally upset. . . . Prospects for continued world recovery are improving.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—New constructive developments buoyed lagging optimism in Europe this week. Outstanding was the decision of the French government to sponsor a great national conversion operation similar to the recent British move. Voted over the weekend, it was carried out during the week. Final results are not yet tabulated but the response of the French during the first 3 days of the week was spontaneous. Involved are $3½ billions of 5%, 6%, and 7% government bonds which will bear only 4½% after the conversion. Annual saving to the government in interest is estimated at $53 millions.

Most significant to world business is the fact that so large a sum in so important a money center is being converted. It is another move, which authorities believe will be followed in Italy, and later in the United States, to reduce the cost of credit, make more and cheaper money available to crippled industry.

Closer Franco-British Accord

Much less tangible in the immediate outlook was the response of Great Britain to Germany's proposals that the Reich be given equality of armament. While Europe is inclined to view the British response as rather weak, it indicates a Franco-British solidarity which may eventually lead to greater cooperation on the part of France to world proposals for arms reductions. More important even than this, in the opinion of European critics, is the belief that President Hoover can be expected soon to make some proposal linking war debts to budgetary disarmament. London is inclined this week to believe that the recent visit to the United States of Montagu Norman had something to do with such a plan.

A good deal of long-term business speculation attaches to the recognition during the week by Japan of the new state of Manchukuo. How far the open-door policy will be practiced, and how much weight can be attached to rumors of open French support through a loan, are questions debated in financial centers. The lineup of nations in the controversy at Geneva when the report on the Manchuria investigation is made will be closely followed, particularly in international banking circles.

Opinion varies on the results of the Danubian conference. To those who had anticipated drastic tariff reductions and radical bilateral agreements, the results are discouraging. To those familiar with the almost hopeless economic muddle into which Central Europe has drifted in the present depression, the results are favorable.

Danube States Helped

Outstanding is the agreement among the creditor nations to give to debtors in this area preferences on agricultural imports. Britain, Holland, and Belgium, with few or no duties on foodstuffs, could not give a preference but the other creditor nations probably will be able to absorb most of the limited wheat surplus from Central Europe's small crop this year. A second proposition is a plan whereby nations unable to give preferences on Danubian grains will nevertheless contribute to a common pool to aid these distressed nations in the marketing of their produce.

Fundamentally more important is the fact that the conference brought about a unity of action among the Danubian states, an airing before their creditors of internal financial conditions which even the best informed had not fully comprehended, and a fuller realization that the essential base for recovery is a lowering of trade barriers. More progress may yet be made in committee before the world economic conference is called, especially if that is not to be held until January or February.

Stock markets, meanwhile, have remained steady, and commodities generally up. In each of the larger countries, industry registered further slight gains during the week. In Germany the discount rate was reduced to 4%, making cheaper credit available to commercial borrowers.

France

France tied up in $3½ billion conversion operation which closed Sept. 24. . . . Scattered business indicators improve. . . . Franco-American trade negotiations reach important stage.

PARIS (*Wireless*)—France's huge conversion operation transcended all other business this week. The Chamber voted over the weekend to convert the government's outstanding 5%, 6%, and 7% obligations—which total nearly $3½ billions—into new government securities bearing only 4½% interest. Bondholders were given only 6 days in which to ask for cash refunds. After Sept. 24, rentes convert automatically.

There is a dual business significance in the deal. Annual economies in the national budget totaling $53 millions will result from the lower interest rates. All commercial credit throughout France is likely to be available at lower rates. There are $5½ billions of idle capital in the country, at least a part of which may now be drawn into industry.

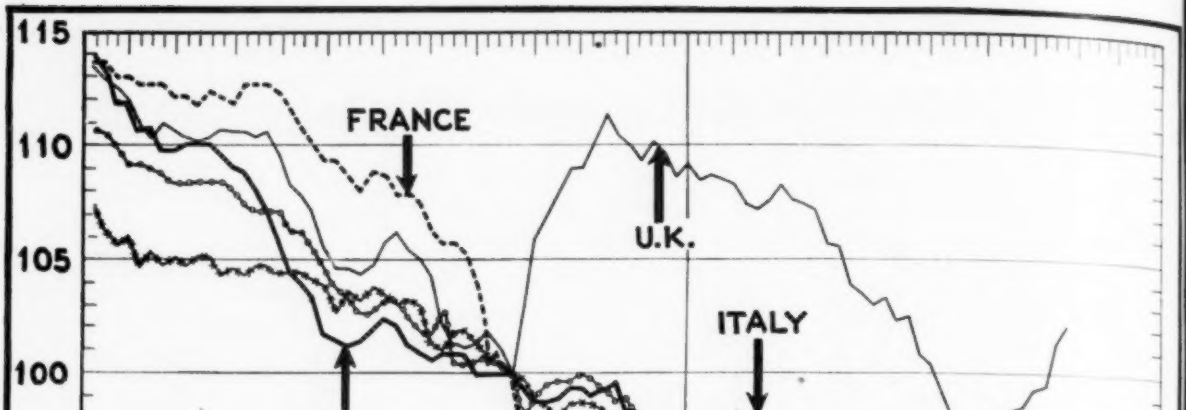
Industrial reports during the week indicate that the metallurgical industries are still operating on improved schedules. Coal mines, on the other hand, are less active now that the Belgian miners have returned to work and demand from the north has eased. Textiles are fairly active, beyond a stimulus which may be due to the British strike.

Franco-American trade negotiations are said to be progressing. The sudden return of Ambassador Edge to Washington for special instructions may be an encouraging sign.

Germany

Signs of recovery multiplying. . . . Cheaper credit expected to follow lower discount rate. . . . Banks liquidate frozen credits through new government institution. . . . Trade balance favorable. . . . Outlook improving.

BERLIN (*Cable*)—Germans are increasingly impressed that signs of recovery are beginning to spread beyond a bare financial pickup. The wholesale index is rising, following the low



COMMODITY PRICE TREND—*Recovery of commodity prices, evident for some weeks in Great Britain and the United States, is not yet wholly general. In France, Germany, and Italy, strongly government-protected markets make prices less sensitive to world trends. Values in the chart are mechanical and cannot be compared. Only relative trends are traced. The spectacular rise of the British average coincides with the abandonment of the gold standard when prices of internationally traded products sought their adjusted levels*

touched in mid-August. The number of bankruptcies in August touched a low of 499, in contrast to the peak of 1,455 in October of last year. The daily average of protested bills in August also fell.

Signs of industrial improvement are multiplying. Cotton weavers have removed restrictions on output, and the shoe, rubber, and hardware industries are reemploying labor.

Election Accepted Calmly

There is a surprising lack of worry over the new elections which have been set now for Nov. 6. The opinion is quite general that the von Papen government will once more "find a way" to maintain its control. Also, the new Reichstag is not likely to be called into session until 4 weeks after the election, so there are almost 3 months for the von Papen scheme of subsidizing industrial recovery to operate. In that time, if the revival is as real as the Germans believe it is, the desired benefits will have made themselves felt.

The decision by the Bank for International Settlements to allow the Reichsbank to lower the rediscount rate is another cheering factor within Germany. The new discount rate of 4% (instead of 5%) will bring a reduction in all of Germany's internal commercial interest charges. This will ease the load on the farmers and business men, and should improve the export position. Foreign creditors are likely to be pressed once more for further reduction in interest rates on their loans to Germany.

Another attack on the depression has been undertaken by the government. A new banking institution is being founded to take over from German banks assets which have become frozen. Paid-in capital is expected to be nearly $13 millions. This liquidating institution will be given 20 years in which to repay funds advanced to it. It is not yet determined whether it will be necessary to create a second institution and allow one to handle only frozen credits, the other new industrial loans. These 2 functions will be performed, and under government supervision.

August foreign trade figures are variously interpreted. The favorable balance of $20 millions is an improvement over the preceding month. Exports, however, remained practically unchanged despite the fact they normally rise in August. Imports dropped nearly 10% due to larger domestic-grown supplies of foodstuffs. Total assets necessary to meet foreign service charges are inadequate. The total favorable balance of trade for the first 8 months of 1932 is not half the amount necessary to meet foreign obligations. Unless there are further interest reductions by creditors, it seems unlikely that Germany will be able to meet obligations.

Great Britain

Business cheerful. . . . Stocks active **at higher prices. . . .** Cotton dispute **still unsettled, but** compromise in **sight.**

LONDON (*Cable*)—On the anniversary of Britain's departure from the gold standard, the general business tone is excellent. Gilt-edged securities are booming and the huge conversion operation is drawing to a triumphant con-

clusion. Industrial stocks are selling at good prices despite occasional setbacks from profit-taking. Oils have benefited by the recent Rumanian agreement to cooperate in a world curtailment program. Mining shares appreciated following the recent record output at the Rand. Rubber shares are selling at better prices than for some years past.

Major troubles are the cotton dispute between weavers and spinners (though a compromise is now in sight), and the threat of a strike among the London busmen. It is expected this week that they will reach an agreement before a strike is actually called.

Although major indices, especially unemployment and trade volume, are no better, there is a general conviction that real recovery is under way.

Latin America

Military troubles continue in Brazil, Chile, and the Chaco. . . . Colombia shows encouraging signs of recovery. . . . Uruguay makes provision for settlement of commercial obligations over 5-year period. . . . Cuba may grant oil monopoly in return for $200-million settlement of national debt.

ANOTHER rather indecisive change in government has further weakened Chile's position this week, and there are no authentic reports of the full progress of fighting in Brazil where civil war has been in progress for more than 2 months. This week one of the large aircraft companies in the United States admitted the sale of airplanes to the federal government.

Besides these unfavorable political developments, fighting between Bolivia and Paraguay over the Chaco area, known to be rich in oil, continues. Rumors of outside supplies of arms to both sides are current, as well as plans for intervention.

In Chile, new elections are now set for Oct. 30.

It is reported that Brazil has agreed with the Farm Board to void that part of the coffee pact which allows for the monthly distribution, beginning in September, of not more than 62,500 bags of coffee, but only on the condition that the United States reimburse the Brazilians at the rate of $3 a bag, supposedly a fair share of the greater profit which is expected to come as a result of the threatened coffee shortage. So far, no agreement has been reached. A not unimportant section of the American trade expects that hostilities will end before the coffee shortage really becomes acute.

Reports from Colombia continue to be more optimistic. July showed a large increase in national revenues over the June totals. This increase is the result of the government's participation in oil production, and from the government's dividends on its shares of the Bank of the Republic. Since July, Colombians have sold increasing quantities of coffee, due to the limited stocks coming out of Brazil. This advantage will be shared with Central American producers in October when their crop comes to market.

Better Prospects in Colombia

Other favorable developments in Colombia include an increase in the gold reserves of the Bank of the Republic, and a decline of more than $1 million during July in circulation. Bank deposits in the same month were up.

Reports have recently reached Wall Street from Uruguay concerning a new decree relating to outstanding foreign obligations as of July 15, 1932. According to the decree, if a foreign creditor does not wish to allow his outstanding account to remain open pending settlement by payments which will be made throughout 1933 as foreign exchange is obtained, the creditor may elect to receive Uruguayan pesos in payment, and these pesos may then be converted at the current rate of exchange into gold obligations bearing the guarantee of the government. These gold obligations will be issued in dollars, sterling, or francs, and shall be payable over 5 years. They will draw interest at a rate still to be determined but not to exceed 6%.

For those creditors who refuse to agree to this plan, foreign exchange will be allotted by the government in the following order of preference: Amortization of, and interest on, gold obligations; government requirements; prime necessities. It is likely, under these conditions, that most commercial creditors will elect to accept the government's plan for amortizing debts over a 5-year period.

Cuba Proposes Oil Monopoly

From Cuba there is the report that a bill is before the Senate which would provide for an oil monopoly in the island for 40 years to any oil company which will assume responsibility for immediate payment of the government's $200 millions of indebtedness at home and abroad. Standard Oil, Sinclair, and Shell are all reported to have received the offer.

Far East

Manchukuo officially becomes a state. All business news overshadowed by the event and attendant speculations. New import and export duties levied on all trade with China. . . . General outlook improving in Japan. . . . Oil companies in price control scheme.

JAPAN'S official recognition of a new state in the Far East—Manchukuo—overshadowed all other news this week. Coming almost on the first anniversary of the beginning of the Manchuria campaign, Japan celebrated gayly. Manchukuo was comparatively quiet. China staged anti-Japanese demonstrations.

Business significance of the new development cannot be fully comprehended for some time. Chinese customs and postal officials have been removed from their posts throughout Manchukuo and have been replaced by civil servants who pledge allegiance to the new government. More than 1,000 of the former officials have returned inside the Great Wall.

The new government has imposed duties on all exports to, and imports from, China. At the same time that this new ruling becomes effective—Sept. 25—Chinese vessels will be ruled out of the coastal and river service within Manchukuo. Foreign tobacco companies are alarmed over the rumor that the new government will make the tobacco business a national monopoly.

Conditions in Japan have not changed during the week. Relief measures adopted at the recent session of the Diet are slow in becoming effective, but the general outlook is better. The Deposits Bureau will reduce the interest rates on relief loans to average $3\frac{1}{2}$%.

Better Prices for Silk

Continued good demand for silk has kept prices relatively steady. Unfortunately the recent spurt in the market came too late to benefit the farmers. Nearly 90% of the cocoon crop had already been sold to the filatures. Their profits, however, will scarcely counterbalance the heavy obligations they have had to assume during the last 2 years when prices were steadily falling.

Six of Japan's leading oil companies have recently entered into a pact to control prices. They have boosted the price of oil 30% to cover losses on yen depreciation and the new import duty. Included in the new agreement are the Standard Oil Company of New York and Royal Dutch. Japan uses about 120 million gallons of gasoline a year.

The Figures of the Week And What They Mean

Though reports of improved employment and payrolls give evidence of a much belated seasonal activity and drastically reduced merchandise shelves, basic industry is still trying to hang on to the niche to which it fell in the summer months. . . . Steel production is patiently waiting the volume orders of the motor, railroad, and construction industries, but only the last two can fall back on government support. . . . Residential building looks promising as September opens. . . . Electric power made less than its expected rebound after the holiday week. . . . Carloadings made a fair showing on a daily basis, though Labor Day reduced the total loadings. . . . Commodity prices irregular.

SEPTEMBER is closing without having given more than grudging support to the confidence of the steel trade that activity would show definite indications of improvement after Labor Day. The Dow, Jones estimate of steel ingot production for the week ending Sept. 19 is practically unchanged at 15% of capacity. Orders continue to come from the small, miscellaneous consumers and jobbers, while the major steel users remain on the sideline. *Iron Age* reports that producers are undismayed by the lack of better buying, placing their hope on the depleted stocks in the hands of manufacturing consumers and the almost certain deterioration of equipment. While such hope is undobtedly well founded, it has had to serve for an unusually long period.

The outstanding improvement in activity appears in tin plate production, wire products, and pig iron sales, though compared with the exceedingly poor month of August, the gains have been very minor ones. The *Iron Age* composite of heavy melting steel prices has reached the highest level since April and within 75¢ a ton of the January peak.

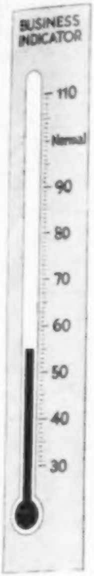
In addition to the Pennsylvania Railroad, which has already been granted a loan of $2 millions for equipment replenishment, a number of other roads have requested funds for similar work. The largest of recent proposed work is that of the Denver & Rio Grande Western for the construction of the Dotsero cut-off. Cost is estimated at over $3.8 millions and will involve rails, track supplies, and 950 tons of structural steel. On the whole the railroads are not exerting much effort to secure loans from the recently organized Railroad Equipment Financing Corp., but are watching carloadings and seeking lower costs through reduced wages.

"Self-Liquidating" Construction

The construction industry is also leaning heavily on government funds for "self-liquidating" projects. More than 75% of the structural steel tonnage thus far this year has been for public construction of post offices, bridges and highways, and the like. A number of projects are now before the Reconstruction Finance Corp., among them being a $36-million sewage disposal proposition for Chicago, a $75-million bridge for San Francisco, a tunnel and bridge for New York City, and others.

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*55.0	†55.9	71.5	
PRODUCTION				
Steel Ingot Operation (% of capacity)	15	15	29	64
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,098	$4,737	$9,642	$16,164
Bituminous Coal (daily average, 1,000 tons)	*998	941	1,280	1,599
Electric Power (millions K. H. W.)	1,476	1,444	1,663	1,641
TRADE				
Total Carloadings (daily average, 1,000 cars)	96	93	127	172
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	64	62	84	109
Check Payments (outside N. Y. City, millions)	$2,662	$2,431	$4,315	$5,586
Money in Circulation (daily average, millions)	$5.690	$5,732	$5,108	$4,817
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.46	$.49	$.45	$.96
Cotton (middling, New York, lb.)	$.071	$.078	$.064	$.149
Iron and Steel (STEEL composite, ton)	$29.32	$29.32	$31.02	$34.27
Copper (electrolytic, f.o.b. refinery, lb.)	$.060	$.060	$.068	$.125
All Commodities (Fisher's Index, 1926=100)	62.9	63.2	69.0	89.0
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,285	$2,313	$1,265	$1,292
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,556	$18,564	$22,132	$22,105
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,219	$6,293	$7,849	$8,744
Security Loans, Federal Reserve reporting member banks (millions)	$4,547	$4,519	$6,414	$7,125
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$433	$371	$1,271	$3,756
Stock Prices (average 100 stocks, Herald-Tribune)	$88.33	$90.44	$106.73	$155.06
Bond Prices (Dow, Jones, average 40 bonds)	$81.00	$81.62	$89.79	$94.82
Interest Rates—Call Loans (daily average, renewal)	2%	2%	1.5%	4.7%
Interest Rates—Prime Commercial Paper (4-6 months)	2-2¼%	2-2¼%	2%	4.2%
Business Failures (Dun, number)		420	426	425

***Preliminary †Revised**



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

In automobile centers, planning for new models is reported under way, but steel buying remains at a low level. Buick has given releases for steel for 10,000 cars. Ford is disappointing the steel industry by operating only 3 days a week and laying off employees in some plants, even after the recent wage cut.

Steel Production Analyzed

Iron Age has made an interesting analysis of steel production per capita which suggests a declining rate of expansion. In 1900, some 320 pounds per capita were produced annually; in 1910 this rose to 600 pounds; in 1920 to 770 pounds; while the continuation of this trend for 1932 would indicate about 840 pounds. Actually, the current rate is at the abnormally low level of 155 pounds per capita per annum.

The first half of September reflects some improvement in both residential and public works contracts awarded in the 37 states as reported by F. W. Dodge Corp., though the sharp decline in non-residential construction tended to depress the total volume below the August daily rate.

The gain of 14.4% in the daily average rate of awards for residential contracts compared with August is the most gratifying aspect of the building figures. In the first 12 business days of September, awards totaled over $10.5 millions.

A third of the total contracts comprised public works and utilities, having a value of more than $30.2 millions. Compared with the August daily rate, this represents a gain of 6.3%, but is 27% below a year ago.

Non-residential awards aggregated over $18 millions, which represents a 17.2% drop from the August rate and a 66% decline from a year ago. Total contracts awarded were worth $58.9 millions, being but 1% below the August rate and 51% below a year ago.

The Labor Day holiday observed in some soft coal fields reduced the weekly output during the period ending Sept. 10, but the daily rate showed a further substantial rise, lifting the adjusted index to 46% of normal. Anthracite suffered a decline in the daily rate as well as the weekly total, since the holiday is widely observed in the anthracite fields. Both employment and payrolls in the Pennsylvania anthracite mines gained sharply during August.

Electric Power

Electric power production did not regain the pre-holiday stride, but lagged sufficiently to increase the spread from a year ago to 11.2% compared with 8.7% in the holiday week of Sept. 10. The adjusted index declined one point to 70% of normal.

The carloading data pertain to the week ended Sept. 10 and though the holiday reduced the total loadings, the daily average rate shows some improvement over the preceding week. The adjusted index rose slightly to 50% of normal.

The increase in check payments during the week of Sept. 14 took place chiefly in New York City. Outside of New York, the rebound following the 5-day holiday week was less than expected, resulting in a decline in the adjusted index to 60% of normal.

Currency circulation again tends to run counter to the usual seasonal trends, declining when an upturn might be expected. Possibly the better showing being made by bank figures on suspensions and closings has enhanced public confidence. In the week ending Sept. 15, only 11 banks were closed compared with 10 the preceding week, while 11 banks reopened. Postal savings increased in August at a slower rate than in preceding months, while withdrawals from New York State savings banks were the smallest in 5 months.

Commodity Prices

August wholesale prices based on 784 commodities compiled by the U. S. Bureau of Labor Statistics gained more than 1% over July, due chiefly to the gains in farm products, foods, hides and leathers, and metals. Retail food prices in 51 cities declined slightly.

In the past week, commodity prices have exhibited irregularity, probably influenced by the uncertain activity of the stock market. The non-ferrous metal markets were comparatively quiet, with copper prices steady for domestic sale. Tin was irregular. Weakness in lead was due to a single seller, while zinc eased off slightly. Declines characterized wool, corn, rubber, cocoa, and sugar, while silk, wheat, coffee prices were stronger. Cotton was irregular.

Trends of the Markets In Money, Stocks, Bonds

Continued easing of banking position stimulates bank investment expansion, but commercial credit demand is still slack. . . . Bond market grows steadier as investment demand replaces speculative interest. . . . Reaction readjusts stock prices to real recovery prospects.

Bank Investments Up, Commercial Loans Slack

THE position of the member banks grows steadily easier. Continued inflow of gold, return of currency from circulation, issuance of new national bank notes under the circulation privilege and their use in paying off Federal Reserve borrowings, all combine to strengthen the banking situation from week to week.

Normally currency in circulation is increasing at this season, but since early August there has been a persistent declining tendency in spite of apparent improvement in retail trade in recent weeks. Better security markets have doubtless brought some currency out of hiding. Some of it is even returning from abroad.

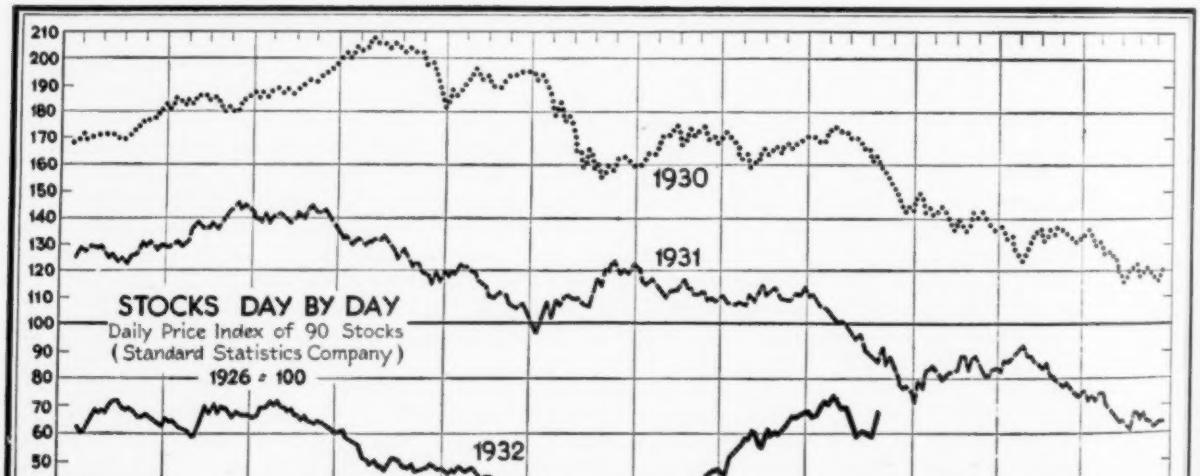
Deposits of New York City member banks have reached a new high for the year, having risen about $\$\frac{1}{2}$ billion since the end of July. The sharp increase of \$153 millions in the latest week was a reflection of preparations for the turnover accompanying the Sept. 15 Treasury financing. Reserves of New York banks are at the highest level so far this year, and the volume of surplus reserves in the system as a whole is now around \$400 millions, an impressive figure which should exert some pressure toward credit expansion soon.

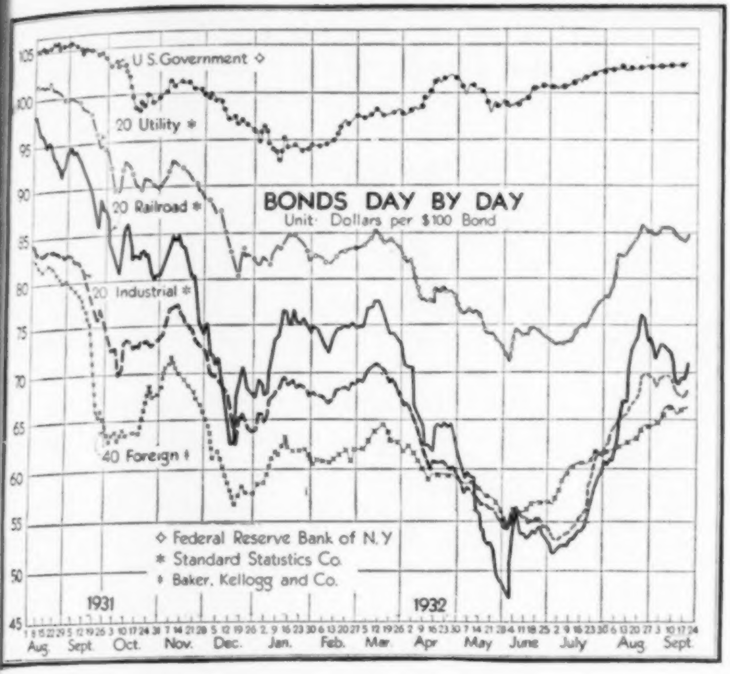
Specially encouraging is the evidence that deposits of banks outside New York are stabilized at last. Since the end of July they have shown no further decline. Their reserves also have been fairly steady for more than 3 months.

All these favorable indications are not yet reflected in any very vigorous expansion of bank credit, but it looks as though the decline had finally been checked. New York banks have been increasing their security loans in recent weeks, but that mysterious category of bank credit labelled "all other" loans and usually interpreted as "commercial" shows no signs of expansion. In fact last week there was a drastic cut in this class of loans in the Chicago district, where marked business improvement is supposed to have appeared.

Commercial Credit Demand Slow

Evidently the demand for commercial credit is still slack. The sharp further decline in bankers' acceptances outstanding as of the end of August and continued ease of commercial paper rates are additional evidence. With rising deposits and reserves, member banks are beginning to employ their funds by investment in high-grade bonds, chiefly industrials in New York and governments outside. This is a quite orthodox development at this stage of recovery. Bank investments or security loans usually increase ahead of commercial credit. Still, this time the investment portfolios of member banks are already unusually heavy in comparison with commercial accounts, especially in government holdings, and may have to be lightened if





and when commercial credit demands rise. The money and exchange markets have been featureless. The recent large brokers' loan rise seems to have been associated with Treasury financing rather than with the stock market.

Stocks Fall Into Step With Recovery Prospects

THE market seems to be consolidating its position till future business and political prospects become a bit clearer than they are at the moment. Movements have been narrow and trading dull during most of the past week. Business indicators are encouraging enough, and anxiety about the consequences of a Democratic victory has diminished in the Street since Roosevelt's railroad speech; but there has been some sober realization that the last 20 points rise in the averages were counting too many unhatched eggs.

The reaction brought the market more nearly into line with the realities of the immediate situation without altering the fundamental trend. A season of increasing business activity has apparently set in and the more troublesome problems of recovery, wages, budget-balancing, war-debts, farm relief, international trade restoration are over the horizon.

For the present the market is likely to follow very closely and conscientiously the trail of business and commodity price movements without trying to anticipate too much. The forward movement will probably be resumed in the favorable atmosphere of fall business improvement, but it is likely to be a bit more cautious.

Investment Demand Steadies Bond Market

THE bond market behavior during and since the stock market break has been reassuring. The larger part of the somewhat irresponsible speculative interest in both markets has been replaced by a more substantial and sober investment support, but especially is this apparent in bonds. The marked strength in governments during the past week, pushing most issues to new highs for the year, and the steadiness of the higher-grade utilities and rails has reflected the influence of increased investment demand from banks, insurance companies, trust funds. Rising reserves among banks and declining policy loans among insurance companies have stimulated demand.

Rising prices for governments is part of the general picture of easing long-term money rates seen in the French debt conversion and the keen competition for good municipal issues, and may be a harbinger of conversion plans here for next year. The scarcity of new municipals for investment seems to be making buyers somewhat less hypercritical than they were a while ago. A Philadelphia 5% note issue which found no takers a few months since went last week over the counter at par.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

September 28, 1932

"Auri Sacra Fames"

A YEAR ago this week Great Britain "went off gold," that is to say, the Bank of England ceased exchanging a fixed quantity of the yellow metal for paper currency. The paper was just as good as before to buy tea and scones, brussels sprouts, lark pie and small beer with; but anyone who had to have a gold brick weighing 25 lb. to lug home and display on the mantel piece couldn't get it from the Old Lady at all and had to pay more paper sovereigns for it in the London gold market.

But why bring that up again? you ask. Well, neither Merrie England nor unhappy United States nor any other country in the world is quite through with the subject or will be in our time. Gold continues to be the arbiter of the world's economic destiny, for those nations that are "off" it no less than for those that still bear the golden cross. The business and banking systems of all countries, or at least their international trade, are still subject to its barbaric dictatorship, and as eager as ever to submit themselves to it.

Even now Britain is feverishly accumulating again, bar by bar, enough of the merciless metal to build for her business another prison like that from which she accidentally escaped for a brief moment last year. Today every nation in Europe sits with a smug sense of satisfaction and security upon what pile, big or little, of this strange substance it happens to have won in the vast shuffle-board game of the past three years. The old *auri sacra fames,* accursed craving for gold, is still with us.

And most pitiful of all, the spectacle which the financial pages of our newspapers have faithfully reported for many months now—this young colossus of the West, first prostrated in panic as the ships carried their cargoes of gold eastward to its anxious owners overseas, and now sitting complacently confident of automatic recovery because some of it has come back to us, as though our creative powers and our capacity for progress depended upon the number of pigs of this dead substance that are shuffled back and forth across the ocean and piled up in the vaults of the Federal Reserve bank.

Few indeed are those in the world of industry, finance, or public affairs who ask themselves even now, after the sufferings of the past three years, why the work, the wealth, and the welfare of the world must depend upon the price of this curious chemical element which is of no real use except to fill teeth or make trinkets with. Even now the mighty brains of our best statesmen present or future make obeisance to its brutal rule by pledging themselves in their political campaigns to the preservation of something they call a "sound currency," in sublime indifference to the fact that this sound currency, in this and every other country where it has been based on gold, has varied in value by over 60% in the past three years and by so doing has robbed every farmer, every worker, every debtor of at least half of his labor forever after in the payment of any debt he may have incurred before 1930—unless indeed this "sound currency" is again to fall in value by a third sometime.

No, it is evident that despite the jail-break led by Britain a year ago, the world is still enslaved to the psychological spell of gold. For the moment, thanks to Federal Reserve policy, the treasures of India, and the gold mines of Canada, the world is resting more easily in its chains. Ah, but when it wins back its strength once more, and rises up to test its powers in the next cycle of business expansion, will the golden chains stretch sufficiently to save the world from another strangulation of its energies? Or will some miracle of sudden insight make men see that these chains exist only in our imaginations and bind us by our ignorance and cowardice, even as the child saw that the king was naked?

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